

SUSTAINABILITY REPORT

2019



BERLIN

ABOUT THIS REPORT

■ This report is Grand City Properties' third sustainability report. Its purpose is to demonstrate our ongoing commitment to sustainability and provide information on the progress we have made and measures we have implemented over the course of 2019. The report is aimed at our business partners, investors, tenants, employees, and other interested stakeholders and presents our activities and achievements from a sustainability perspective. The report compliments our Consolidated Financial Statements for the 2019 financial year, which can be found on our website at: <https://www.grandcityproperties.com/investor-relations/publications/financial-reports/>

ALIGNMENT WITH GRI STANDARDS AND EPRA GUIDELINES

■ This report has been compiled using the guidelines developed by the Global Reporting Initiative (GRI) and the European Public Real Estate Association (EPRA). In particular, when developing the report's content, and reporting on our performance data, we have oriented ourselves on the GRI Standards and EPRA Sustainability Best Practice Recommendations (sBPR).

Our response to the Performance Measures and Overarching Recommendations in the 3rd edition of the EPRA sBPR is available on page 44. Although this report is not prepared 'In accordance' with the GRI Standards, a cross-reference table with the relevant GRI Standards covered by the contents of this report is available on page 58.

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CEO INTRODUCTION

DEAR READERS,

■ It is likely that 2019 will be recognised as a defining year for sustainability as society, governments, the business and investment community alike coalesced around the recognition that urgent action is required to tackle the climate crisis. The Covid-19 pandemic has only added to heightened warnings from the scientific community about the rate of environmental and social change that is unfolding across the globe.

Amid unprecedented levels of social and economic dislocation brought about by global action to limit the spread of the coronavirus, the immediate and long-term ramifications of Covid-19 and climate change could exacerbate the social and economic tensions already present in our cities, adding to pressure on social institutions, natural resources and increasing inequality. Taken together, these will have far-reaching impacts on the way we manage and invest in our portfolio, and how our tenants go about their daily lives.

Already, wealth inequality, population growth and demographic change coupled with a supply shortage are putting increasing pressure on existing housing stocks, and caps intended to protect tenants from rising rents have been introduced. Secondly, investors are increasingly using a broader range of ESG criteria to evaluate investment risks, and a growing number of municipalities across Europe are declaring a climate emergency. On a national level, Germa-

ny's Climate Action Plan 2050 sets out carbon reduction targets for all sectors, and this includes long-term strategies for upgrading the building stock, aiming towards a carbon-neutral built environment by 2050.

In the context of these wide-ranging challenges that our society faces today, Grand City Properties has a unique opportunity to contribute to sustainable development through our investments in residential real estate.

As the Covid-19 pandemic spread throughout much of Europe during the first quarter of 2020, we unhesitatingly prioritised the safety and well-being of our employees and took precautions to make sure that everyone is safe and secure. Secondly, we commenced our business continuity planning to ensure we can operate as normally as possible, while taking the necessary steps to protect our people and partners once restrictions are lifted.

While the longer-term outlook is uncertain at the time of writing, we benefit from a strong financial position, a conservative financial policy and a diversified portfolio that provide an effective buffer. Secondly, we remain confident that the German residential space is a resilient asset class making it an attractive investment option.

Over the long-term, our approach to property investment that prioritises the acquisition of assets in need of modernisation means we are well positioned to capitalise on the shift to a low-carbon future. By up-grading existing buildings to ensure high standards of energy efficiency and low or zero carbon status through the use of renewable energy sources we can actively contribute to the United Nation's Sustainable Development Goals (UN SDGs) of affordable and clean energy, climate action and, sustainable cities and communities. By revitalising communities' urban infrastructure so it is fit for the future, rather than pursuing new developments, we avoid the use of more resources, more waste production and associated emissions. What is more, this approach complements our tenant satisfaction and social engagement strategies.

Through the asset repositioning process, we identify and pursue interventions that directly contribute to improving quality of life for building residents. First and foremost, we make our tenants' homes safer, more comfortable and cheaper to run. But beyond this, we also create new facilities and services for wider social benefit that support better relations, better education, health and well-being, cohesiveness and social opportunity in the communities where we are present.

This approach is good for business. Our sustainability commitment aligns to our strategic aim of retaining residents by actively fostering tenant loyalty. It helps us to attract and retain investors who want to invest in long-term resilient and low carbon assets and support a positive contribution to society. It contributes to our ambition to attract and retain talented staff who share our enthusiasm for customer care, and it enables us to reduce risks relating to safety, environmental and social factors, and reduce costs associated with resource consumption and waste output.

2019 saw our sustainability goals become more formally embedded within our core business approach as part of our integrated sustainable business strategy. We continued

to work towards our targets – including a 40% reduction in CO₂ emissions by 2030; increasing further our high levels of tenant satisfaction and retention; offering our employees a health and well-being certified office by 2025 and investing €500,000 a year in community-building activities, up to 2030. To ensure that all staff have a high awareness of these goals and the specific social and environmental issues that are important to our business, we now include our CSR training program – completed by all staff in 2018 – as part of the induction for new employees and will update this on a yearly basis to reflect the latest trends, challenges and recent progress towards these goals.

Furthermore, we are proud of the progress we have made against our sustainability key performance indicators over the past 12 months. We have reduced portfolio CO₂ emissions by 13% compared to 2018, a result which has been achieved due to the progressive switch to renewable energy and carbon neutral gas suppliers across the portfolio, as well as the continued replacement of inefficient heating systems and other energy-consuming equipment in our properties. We have also successfully piloted a partnership with a waste management service provider to tackle low levels of household waste segregation and increase recycling rates across our portfolio.

Tenant satisfaction continues to rise, as residents appreciate the combination of our investments in building infrastructure and amenities and concerted efforts to provide the best customer service in our industry through the service quality-certified GCP Service Centre. In 2019, we saw an improvement across all five performance measures that we use to track tenants' satisfaction with the Service Centre. High tenant satisfaction has translated into consistently high occupancy with our EPRA Vacancy Rate decreasing from 7.1% to 6.7% in 2019.

Moving into 2020, we are enthusiastic about some promising projects we are embarking on at asset level – from identifying buildings that fulfil our criteria for on-site renewable energy installations to working with local organisations to establish new services that support our communities, such as we are doing at Grohner Düne in Bremen. With the GCP Foundation now in place, we will continue to pursue projects in partnership with non-profit organisations that can serve community needs, contributing to the education, employment prospects and overall well-being of our residents and their neighbours.

Working with our major shareholder, Aroundtown SA, we will identify further pilot sites for the implementation of the Energy Investment Program which supports our country's vital transition to a low carbon, resource-efficient economy through investments in solar, wind and combined heat and power and the provision of infrastructure for electric vehicles, among other imperatives. These projects will make the neighbourhoods where we invest more attractive and sustainable in the long-term, thereby enhancing the value of our assets and supporting strong and stable returns for our business as high occupancy in appealing homes and surroundings converts into rental income.

We will continue to support the over 1,000 people who represent GCP, investing in their training and development and the quality of their work environment, valuing the unique individual contribution each of them makes. We highly value and celebrate diversity in our workforce as we do within our tenant communities and among the mostly small and medium-sized companies that constitute our supplier base, endeavouring to maintain a culture of openness, respect and integrity towards all our stakeholders in line with our corporate values. As we work together towards a more sustainable future, we look forward to overseeing the evolution of our business in 2020 and reporting back to you with another update on our performance and accomplishments at the end of the year.

Yours sincerely,



Christian Windfuhr
CEO

PERFORMANCE HIGHLIGHTS

BUSINESS PERFORMANCE

- Net rental income increased by 5% to EUR 383 million
- EBITDA increased by 8% to EUR 298 million
- FFO I increased by 7% to EUR 212 million

TENANTS

- Achieved DIN EN ISO 9001:2015 certification in Service Quality and Quality Management for our Service Centre

ENVIRONMENT

- 100% of portfolio analysed for climate-related risks
- More than 90% of landlord gas obtained from climate-neutral sources
- Introduced electric vehicles in our fleet car pool

SOCIAL

- Established the Grand City Properties Foundation and invested more than €100,000 in charitable projects in our local communities

AWARDS



Gold awards received for our financial and sustainability reporting from the European Public Real Estate Association for the third consecutive year



SUSTAINALYTICS

**95TH PERCENTILE AMONG
300 REAL ESTATE PEERS**

While not a constituent of the new DAX 50 ESG index, GCP ranked 4th in its ESG score (based on Sustainalytics) among all companies and highest among real estate companies, that are traded on FSE and are part of the HDAX index (DAX, MDAX and TechDAX)

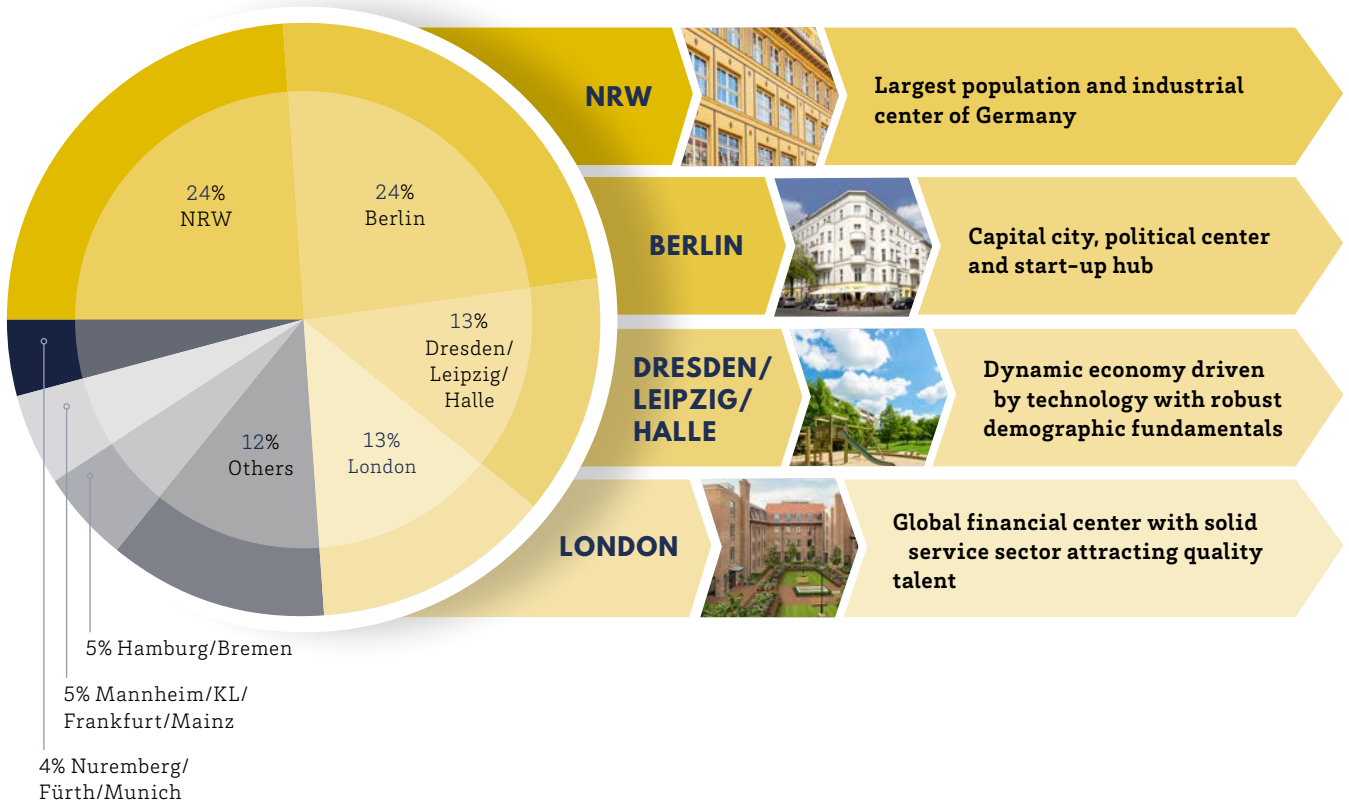
ABOUT US

Grand City Properties S.A. (GCP) is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany. Our portfolio is spread over North Rhine-Westphalia, Germany's most populous federal state; Berlin, GCP's single largest city in the portfolio; the fast-growing metropolitan regions of Dresden, Leipzig and Halle; northern Germany's largest cities, Hamburg and Bremen, and other major urban centres such as Nuremberg, Munich, Mannheim, Frankfurt and London.

Our business model is focused on buying, optimising and repositioning previously under-managed and under-rented residential assets in locations with strong fundamentals that will support stable profit and growth opportunities in the foreseeable future. Through intensive tenant care and repositioning efforts, underpinned by ecologically sensitive asset management and enhancement of tenant well-being, GCP repositions assets to unleash their full potential. We aim for a long-term increase in the value of our real estate portfolio, striking an optimal balance between sustainable financial value creation and responsibility to our stakeholders.

As of 31 December 2019, the portfolio comprised €8 billion of investment properties, consisting of 77,000 units; almost half of which were concentrated in North Rhine-Westphalia (24%) and Berlin (24%)¹. Our geographical diversification within a range of dynamic cities and urban regions enables us to spread possible market risk and capitalise on the opportunities for continuous portfolio value growth, based on external and internal factors. GCP maintains a strong diversification of funding sources, issuing instruments in several currencies across various capital markets to increase our investor base and attract funding from a wide range of markets. Bank loans are spread across a range of reliable financial institutions with which GCP maintains long term relationships.

We believe our platform brings together the right competencies and systems to maintain our strong performance and further realise the high upside potential embedded in our portfolio.



¹ Percentages are calculated based on property value

OUR BUSINESS MODEL

GCP's sustainable value creation process is driven from accretive external growth and a proven business model which extracts robust internal growth, supported by strong operational performance, to generate consistent cash returns.

Consequently, we depend on a number of key inputs across a range of 'capitals' – notably financial, manufac-

tured and intellectual but also fundamentally human, social and natural – in order to implement our approach and deliver outputs in the form of portfolio returns; upgraded assets; better quality of life for residents and higher levels of occupancy and tenant retention, which enable us to continue to grow our business through a positive cycle.

INPUTS:

- Investment capital
- Real estate assets
- Investment market conditions
- Experience, knowledge, organisational processes
- Reputation & brand value
- Information & communication technology
- Human resources
- Tenants
- Governance & civil society
- Biosphere goods & services

OUTPUTS:

- Capital recycling
- Long-term secure cash flow
- Upgraded real estate assets
- High occupancy rates & tenant retention
- Increased & improved experience, knowledge & organisational processes
- Enhanced reputation & brand value
- Employment creation & skills development
- Tenants' quality of life
- Governance & civil society
- Consumption of natural resources & generation of waste



KEY PERFORMANCE INDICATORS

	2017	2018	2019	TREND
Investment property value (€bn)	6.4	7.2	8	↗
Net rental income (€m)	328	364	383	↗
EBITDA (€m)	248	276	298	↗
FFO	178	198	212	↗
EPRA Vacancy (%)	7.0	7.1	6.7	↗
Employee retention	82.9	77.9	78.8	↓
Community investment through GCP Foundation (€000)	n/a	n/a	100	
Energy efficiency (kWh/m ² /year)	131.49	135.69	138.97	↓
GHG emissions intensity (kgCO ₂ e/m ² /year)	30.00	28.96	25.18	↗
No. of compliance breaches	0	0	0	→

The GCP Foundation was launched in 2019. Therefore, spending on community investments was not tracked in 2017 and 2018.

1. DEAL SOURCING

■ We source suitable assets through a network of specialists which we have cultivated over the past 15 years.

2. DUE DILIGENCE & NEGOTIATION OF BEST POSSIBLE DEAL TERMS

■ Properties are evaluated through an extensive due diligence process that enables us to identify all relevant risks, opportunities and challenges.

This includes a review of the environmental characteristics of the asset, and a life-cycle assessment that analyses the energy and carbon impact of the building in relation to its economic profile. A community needs assessment is carried out, involving the evaluation of tenant composition; demographic data from the city in question including immigration and emigration, as well as engagement with tenants on the service experience they wish to receive. The findings are subsequently aligned to GCP's investment approach and target measures toward improving community risk profiles and enhancing tenants' satisfaction and wellbeing.

Many of our projects relate to previously neglected properties where we can significantly improve the residential environment, reduce ecological impact through refurbishment, and thereby create both attractive residences and shareholder value. A customised plan is developed for each asset, with the aim of increasing rent, occupancy and cost efficiency, improving environmental performance and delivering social benefit to tenants.

3. ACQUISITION

■ We pursue acquisitions of assets located in densely populated areas or major cities that are high cash flow generating and/or offer vacancy reduction potential. Assets are typically below market level (under-rented), demonstrating upside potential, with a purchase price below replacement costs and/or below market values, and potential to reduce the operating cost per square metre.

4. REPOSITIONING AND CAPEX

■ Upon takeover of the property, asset development commences. Targeted capital expenditure can achieve increases in rent and occupancy rates, decreases in operating costs and non-recoverable costs, and improve tenant satisfaction. Taken together, GCP's strategic repositioning measures successfully turn under-managed and under-rented assets into profitable assets with sustainable shareholder value.

Tenant satisfaction is key to our success, and investments are made in targeted measures to enhance tenants' quality of living, such as the provision of shared facilities and support to local charitable associations. We engage with local authorities to improve existing community infrastructure, helping to make the neighbourhoods where we invest become more desirable. As tenants often choose to stay longer if they enjoy the quality of housing and community offered by the assets, the company benefits in turn through longer average lease terms.

Improving assets' environmental performance is an important part of repositioning, and we are exploring the most appropriate building certifications given our portfolio's characteristics and the importance many stakeholders place on an external benchmark of asset performance. Embedding continual improvement is at the heart of our asset management strategy. Investing in more efficient heating systems and improvements in waste management infrastructure, among other initiatives, increases the quality and comfort of our assets, with benefits for both tenants and GCP as the landlord.

Throughout this stage and beyond, our proprietary and centralised IT system enables us to track and respond to market rent trends; manage re-letting risks and respond rapidly to tenant needs on a daily basis.

5. YIELD & VALUE INCREASE

■ After the initial business plan is realised, we continue to regularly assess the merits of ongoing improvements to properties to further enhance the yield on our portfolio by increasing the quality and appearance of the properties, which lead to higher rents and increasing occupancy. We also apply significant scrutiny to costs, systematically reviewing ways to increase efficiency and thus increase cash flows.

Our strategic aim is to retain residents by actively fostering tenant loyalty. Thus, we orient our development efforts on creating supportive, affordable communities where people enjoy living and staying. Low turnover rates benefit our properties' communities as well as the company's operational results.

We maintain an ongoing focus on tenant health, safety and wellbeing, and customer service excellence, supported by the GCP Service Centre. In accordance with our Environmental Policy, we continually seek opportunities to reduce our assets' energy, water, waste and emissions impact.

This approach translates into higher returns and an increase in asset values and enables us to sustain long-term asset financing.

6. LONG-TERM HOLD (90%) OR SALE ON OPPORTUNISTIC BASIS (UP TO 10% P.A.)

■ We maintain a long-term hold on most of the assets in our portfolio. Disposals are made on an opportunistic basis at high capital gains and channelled into additional high potential properties.

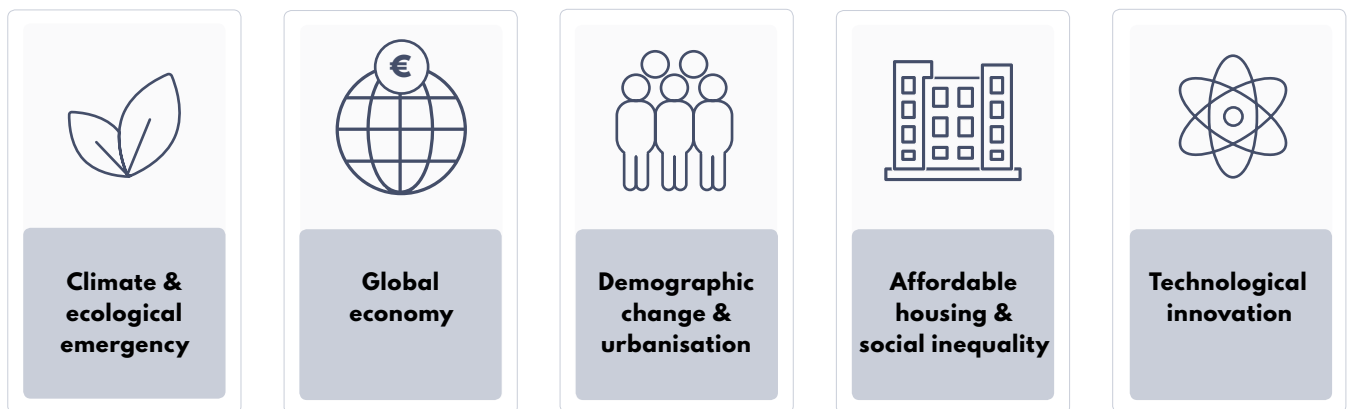
A decisive factor in GCP's ability to successfully create value through our business model is our commitment to responsible business practices. Our Company vision is founded on the core values of integrity, respect, performance, accountability, and sustainability. We have formulated these values into five guiding principles, which we use to shape our daily operations and strategic decisions.

Across all stages of the business strategy, GCP recognises the importance of all the talented and diverse people who make up our staff. We support staff to develop specialist skills and expertise and aim to provide a work environment that reinforces high levels of motivation, fosters diversity and promotes health and wellbeing.

TRENDS EFFECTING THE REAL ESTATE INDUSTRY

The effective deployment of our business model and strategy is contingent on many different factors. We trust in the diligence and capability of our internal teams, partners and suppliers to uphold our reputation and deliver our services to the highest standards with the best-fitting technological support. The social cohesiveness and well-being of the neighbourhoods around our assets is important for us to achieve our goal of creating affordable communities where people want to live and stay. A favourable macroeconomic context and stable social and institutional conditions in the cities where we invest, underpinned by stable climatic conditions, support our long-term business interests.

In the current context, we have identified five major interconnected trends which impact on the long-term evolution of our business, and which help to inform the strategic focus areas of our integrated sustainable business strategy.



CLIMATE & ECOLOGICAL EMERGENCY

There is scientific consensus that our climate is changing considerably, and that global biodiversity and natural resources are being rapidly depleted. Together, these events pose an existential threat that calls for effective widescale mobilisation to counteract. The Intergovernmental Panel on Climate Change (IPCC) has made clear that we must limit global warming to 1.5° C, but based on currently levels of commitment, we are on course to reach 3° C of warming.

We have analysed our assets' direct exposure to climate-related risk and found that none of the locations where we are present pose risks in relation to climatic changes, including flooding and extreme weather events. Nonetheless, rising sea levels, higher temperatures, altered levels of precipitation and more frequent storms and droughts could have indirect impacts on our business if and when they become severe enough to precipitate mass migrations; food and water shortages; economic losses and rapid movements of investment capital, all of which would have repercussions for our investors, tenants and other stakeholders. Our focus on stable, mature markets within Europe and our diversity both in terms of city-level market exposure and capital funding put us in a strong position to withstand such scenarios.

In Germany, over 64 towns and cities have declared a climate emergency and protests by climate and ecological activists are becoming more commonplace as increasing numbers of people are concerned by the lack of an urgent government response to the crisis. Although Germany has largely managed to decouple economic growth (measured in

GDP) from a rise in greenhouse gas emissions, the record of the past three decades shows that the country would need to implement significant changes if it wants to reduce emissions to meet its targets. Germany's Climate Action Plan 2050 sets out carbon reduction targets for all sectors, and this includes long-term strategies for upgrading the building stock and the gradual phasing out of fossil-fuel heating systems, and a zero-energy standard for new buildings from 2021, aiming towards a carbon-neutral built environment by 2050.

As a company which invests in the existing building stock and modernises it to achieve higher levels of efficiency, there is an opportunity for us to position ourselves as a positive contributor to the low carbon economy, working towards low or zero carbon status for our assets. This would help us to attract and retain investors as well as tenants and secure easier buy-in for structural projects from local authorities.

GLOBAL ECONOMY

Global economic activity slowed during 2019; trade and geopolitical tensions have cast a shadow on international cooperation, and this has been amplified by the Covid-19 pandemic that was confirmed by the WHO in March 2020. These factors will continue to have an impact on the global economy, and by extension real estate markets across Western Europe.

Due to the focus of GCP on residential properties, we do not anticipate any substantial direct impact on our internal operations due to the virus since our operations are not

significantly reliant on a supply chain of any sort. However, the coronavirus pandemic could have an adverse impact on tenants' incomes and on the general economic situation in Germany, which in turn could be a strain on the Company's top-line. Our diversified portfolio acts as an effective buffer in such a scenario along with the fact that the portfolio is under-rented and thereby relatively less of a burden on tenants. The resulting uncertainty from the outbreak has also led to a significant decline in financial markets, however the German residential space is a resilient asset class making it an attractive investment option.

Regardless of these risks, we are of the opinion that any downside is expected to be temporary in nature. In the longer term, disposable household incomes are expected to rise as the labour shortage contributes to wage growth, and fiscal measures are implemented to boost incomes. These latter trends should have a positive impact on tenants' purchasing power, supporting tenant retention and rental income stability within our portfolio. Secondly, should the downturn continue longer than expected, our focus on the affordable end of the rental market offers an additional level of protection as job uncertainty or higher levels of unemployment are unlikely to translate into reduced occupancy levels.

What is more, we benefit from a portfolio spread across cities with strong fundamentals, where a deceleration in overall economic output is likely to be tempered by local economic dynamism. For example, Berlin has a diverse economy centred on the service sector, and economic growth levels consistently above the national average. North Rhine-Westphalia is an international business hub that is home to 26 out of the 50 largest companies in Germany, and Dresden, Leipzig and Halle are important centres for scientific research and technology innovation, including smart infrastructure development and digitalisation. Leipzig currently has the highest employment growth rate in the country. Hamburg is the second largest city in Germany; has the highest level of GDP per capita and is an international innovation hub for digital business transformation in logistics. The election of a new UK government and the UK's exit from the European Union at the end of January 2020 brings greater stability following a period of parliamentary stalemate. Over the past decade, London's economy has outperformed all other English regions, and the capital's service-based economy is expected to remain buoyant on the basis that an orderly exit from the EU is achieved.

As such, we are optimistic that asset values will continue to follow an upward trajectory, with rental market demand remaining strong within the cities and urban regions where GCP selectively invests.

DEMOGRAPHIC CHANGE AND URBANIZATION

The EU population is aging as life expectancy increases and fertility rates decline. However, the region continues to attract inward migration from other continents, spurred by the interrelated impacts of climate change, conflict and poverty. Population shifts are also taking place internally within the region, with prosperous cities attracting the greatest share of financial, intellectual and human capital,

whilst many former industrial cities and less accessible rural areas experience economic stagnation and outward migration.

The cities where GCP invests offer positive demographic indicators for residential property investment. Berlin has the second highest population density in Germany and a positive net migration balance. Combined with low levels of home ownership, this translates into high rental demand. Dresden has one of the highest birth rates among Germany's cities, and Leipzig is forecast to have the highest population growth in the under 20s bracket through to 2030. In London, meanwhile, the number of households is expected to increase by 30% until 2036, with an increased rental ratio as ownership continues to decline. The UK capital has a population growth rate that is double that of the country as a whole, and a population density nearly 48 times as great as the EU average.

If current trends continue, major German cities and London will continue to command high asset and rental values, spelling a positive outlook for GCP's investment portfolio long-term. At the same time, sustained infrastructural and social investment will be needed to cater to increased demand for services and resources, highlighting the validity of GCP's community-building strategy. Furthermore, as urban populations continue to become more ethnically diverse, real estate developers and managers will be encouraged to adopt design and management approaches and workplace practices that foster social cohesion and inclusiveness; an approach which we are already taking in the context of both our community relations management and workforce diversity policy.

AFFORDABLE HOUSING & SOCIAL INEQUALITY

The United Nation's Sustainable Development Goal (SDG) 1 – 'End poverty in all its forms everywhere' – has challenged governments and business to ensure that all members of society have equal rights to economic resources, access to basic services, ownership and control over land and other forms of property. Yet a lack of affordable and social housing across most major European cities poses a challenge to achieving this Goal. Limited building opportunities due to scarcity of land and concern that increasing densities will impact on quality of life mean that there is not enough housing supply to meet demand, keeping prices high. A shortage of skilled workers in the construction sector has exacerbated the problem.

On the one hand, growing inequalities make access to housing even more difficult for individuals and households with lower incomes. On the other, poor quality, overcrowded and temporary accommodation increases inequalities in education and health outcomes and opportunities, perpetuating a vicious cycle and increasing the risk of social unrest and political instability.

Nonetheless, the shortage of housing can also present opportunities in new sub-sectors, such as investment in micro-apartments and co-living, as well as the conversion of former retail or industrial assets to residential use. Community well-being can be enhanced by a place-making

approach that is informed by consultation on local needs; and integrates public spaces and amenities that encourage healthy lifestyles and are inclusive of people of diverse ages, occupations, ethnicities and levels of income.

As the provision of social housing for low-income families and individuals forms a significant part of the social contract between governments and citizens, we expect to see continued support in the form of financial benefits for the proportion of our tenant base which includes households with lower than average incomes. It also puts us in a unique position to contribute directly to the quality of life and social opportunities of our tenants, principally by offering high quality housing and outstanding customer care at affordable rates.

Besides sponsoring activities to support tenants' education and employment prospects, we create shared facilities for tenants and fund an ongoing programme of events to encourage neighbours to spend time together. Our investments in environmental efficiency measures and engagement with residents to promote energy and water saving as well as waste reduction contributes to reducing tenants' costs, as do additional customer services such as retail discounts.

TECHNOLOGICAL INNOVATION

Rapid advances in technology are transforming all aspects of day to day life, including the ways in which people work, study, travel, shop, communicate and socialise. Technological innovation will support the transition to a low carbon economy as electric vehicles become mainstream and clean tech – including renewable energy systems and storage devices – becomes more cost effective and advanced. Data-driven technologies will make buildings, utilities and transportation networks more efficient and interconnected. In Germany, the Digitisation of the Energy Turnaround Act (2016) will propel the roll out of smart meters in homes.

In the real estate sector, the use of new technologies is already changing the ways in which buildings are constructed or redeveloped, leased, sold and managed. For example, virtual reality devices are changing the way that prospective investors and tenants experience spaces and buildings. Within operational buildings, data platforms and equipment which adjust and optimise indoor environmental quality and resource use now enable occupants to receive a more interactive, comfortable and personalised experience of a building and reduce their ecological footprint.

As part of the asset repositioning process, we seek to upgrade building infrastructure and equipment, which includes identifying opportunities to install more efficient and/or renewables-based energy systems. We are already rolling out digital meters to more accurately measure energy and water consumptions, and we have piloted a digitally-enabled pay-by-weight waste scheme for tenants. At a corporate level, we take advantage of developments in digital technology to enhance customer communication.



MÖNCHENGLADBACH

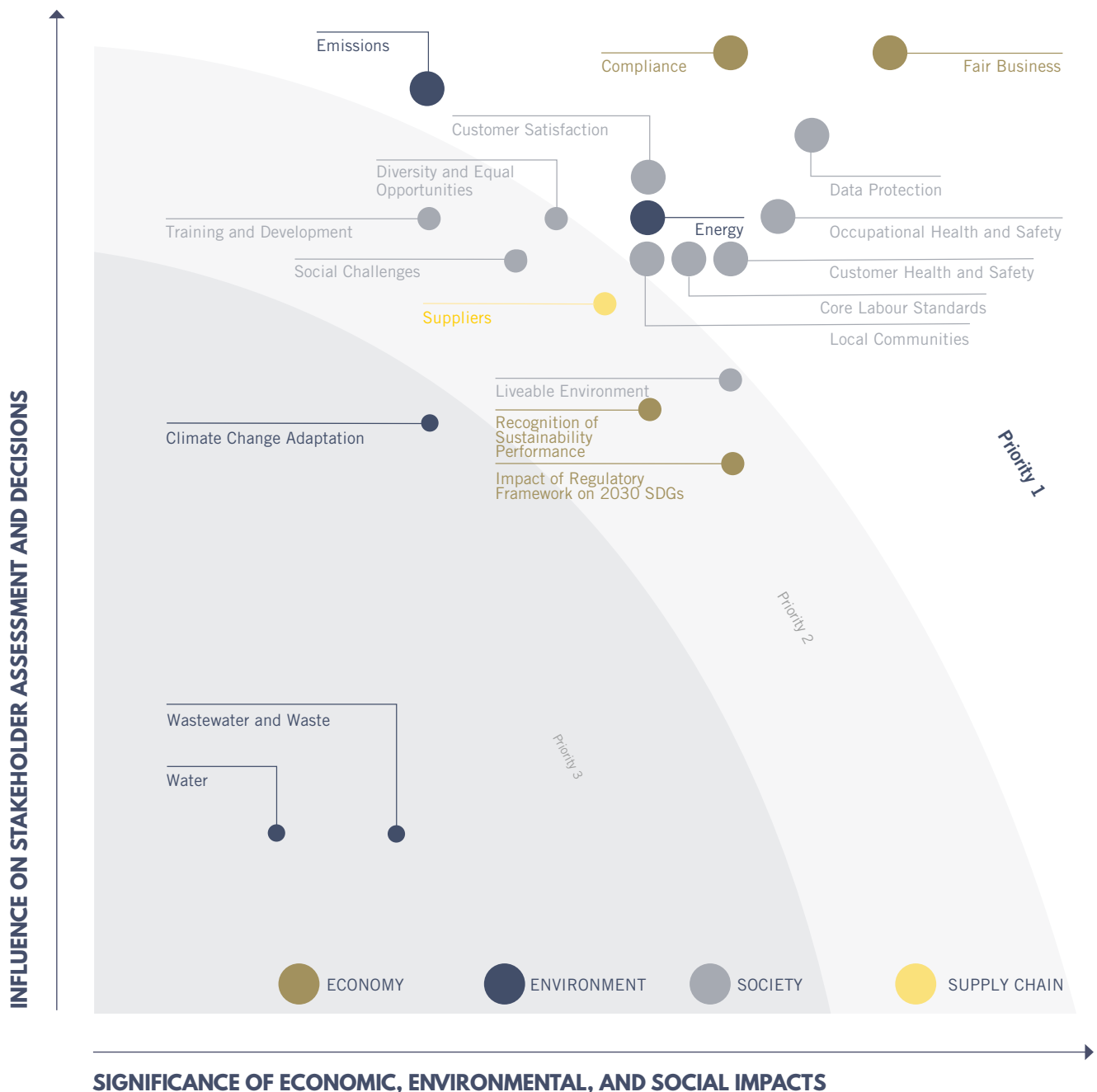
SUSTAINABLE BUSINESS STRATEGY: FOCUS AREAS AND MATERIAL ISSUES

GCP's integrated sustainable business strategy helps us to create additional and enduring value through our business model. We apply the principle of materiality to identify significant issues, risks and opportunities within the context of our sustainable business strategy.

Our most recent full materiality review – conducted in 2018 – was commissioned by our CR Steering Committee in order to gain a more detailed picture of how stakeholders and internal experts assess the various sustainability issues facing our business. This involved assessing issues both in terms of their impact on stakeholder decision-making,

and their significance in relation to the economy, environment and society.

The outcomes from both assessments were combined to create GCP's materiality matrix (below) which was subsequently validated by the CR Steering Committee and the Board of Directors. A management review was also conducted with respect to the Luxembourg law implementing the EU's Directive in Non-Financial Reporting to ensure that no topics needed for understanding our course of business, business results, or position had been omitted.



The findings form the basis of our strategy which groups issues according to five core focus areas: Tenants, Employees, Environment, Society and Governance. The material issues highlighted in bold in the diagram below correspond to the Priority 1 issues identified during the review.

In addition, we conduct an annual review of our material issues during a workshop attended by senior internal stakeholders including departmental heads. The workshop is an opportunity to review the list of material issues, identify additional topics based on market trends and operational developments, and prioritise our response ac-

ordingly. It also helps to decide on short-term sub-goals and milestones for the coming year that are aimed towards reaching the long-term targets and reflect on past progress made. Additional issues identified during the most recent workshop are also included in the table.

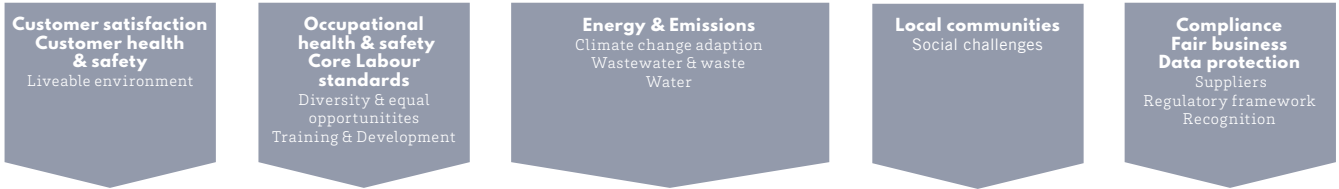
We have developed strategies to maintain excellent performance and/or target improvements in these areas, as shown in the tables below. We have aligned our goals with the United Nation's Sustainable Development Goals (UN SDGs), in particular Goals 3, 4, 5, 7, 10, 11, 13, 16 and 17.



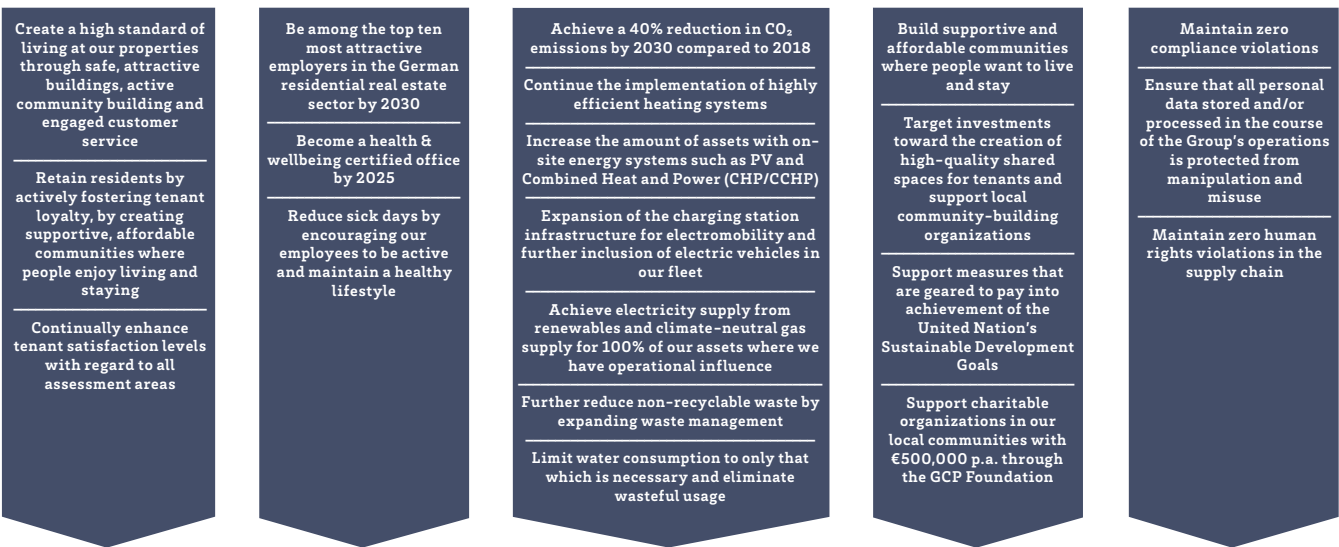
FOCUS AREAS



ISSUES



TARGETS



SUB-GOALS / MILESTONES 2020



SUSTAINABLE DEVELOPMENT GOALS



The risks and opportunities associated with our high priority (Priority 1) material issues, and a summary of our management approach, is presented in the table below.

For more information about our materiality approach and methodology, please see our Corporate Responsibility Report 2018.

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Compliance	Compliance with all applicable laws & regulations as a pre-requisite for exceptional performance	<ul style="list-style-type: none"> • Reputation & trust • Ability to attract & retain shareholders & bondholders, tenants & customers • Sanctions & fines 	<ul style="list-style-type: none"> • Compliance framework covering all aspects of the business • Extensive internal audit & reporting procedures • Corporate policies supported by clear communications • Whistle-blowing mechanism 	Number of compliance violations

See Governance – Fair business and compliance on page 41 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Data protection	Protection of individual privacy through adequate data security provisions	<ul style="list-style-type: none"> • Compliance with GDPR • Reputation & trust • Sanctions & fines • Stakeholders' personal concerns & expectations 	<ul style="list-style-type: none"> • Protect all personal data from manipulation & misuse • Regular review & development of IT systems • Corporate policies & training within all departments • Standard Operating Procedures (SOPs) • Mandatory reporting & incident investigation • Stakeholder communication 	Number of instances of data protection breaches

See Governance – Data protection on page 44 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Fair business	Maintaining ethical behaviour practices; labour standards & human rights; fair treatment of staff & suppliers	<ul style="list-style-type: none"> • Compliance • Sanctions & fines • Reputation & trust • Staff attraction & retention 	<ul style="list-style-type: none"> • Code of conduct & mandatory training • Supplier code of conduct • On-site inspections and 'spot checks' on suppliers • Compensation strategy 	Number of compliance violations Human Rights violations

See Governance – Fair Business and Compliance on page 41 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Customer health & safety	Provision of infrastructural health & safety and management of day-to-day health & safety risk	<ul style="list-style-type: none"> • Compliance • Sanctions & fines • Reputation & trust • Tenant satisfaction 	<ul style="list-style-type: none"> • Initial risk assessments & reducing maintenance backlog following acquisition • Regular, strong on-site presence • Ongoing health & safety assessment which feeds into investment planning • External fire safety checks & immediate corrective action • Investigation of all incidents 	<p>Investments in fire, life and safety</p> <p>% of properties undergoing regular health and safety inspections</p>

See Tenants – Tenant satisfaction on pages 18 to 20 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Customer satisfaction	Maintaining high levels of tenant satisfaction by ensuring anticipation of and response to latest interests & needs	<ul style="list-style-type: none"> • Tenant attraction & retention • Long-term income generation & attractive yields • Occupancy rates • Reputation • Additional costs & revenue instability if there are suboptimal fluctuation rates 	<ul style="list-style-type: none"> • Tenant needs assessment • Community Relations teams • GCP Service Centre (TÜV- certified proven Service Quality and DIN EN ISO 9001:2015) • IT & software systems for tenant care management • Alignment between investment and tenant satisfaction • Ongoing enhancement of housing quality • Regular tenant events • Ongoing training for employees and monitoring of tenant satisfaction 	<p>Tenant rating of Service Centre friendliness</p> <p>Tenant rating of resolution time</p> <p>EPRA Vacancy rate</p>

See Tenants – Tenant satisfaction on pages 18 to 20 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Local communities	Being a responsible & active contributor to building strong communities	<ul style="list-style-type: none"> • Tenant attraction & retention • Operational performance of assets • Reputation • Relationships with Local Authorities 	<ul style="list-style-type: none"> • Community Involvement & Development Policy • Community needs assessment • Community Relations Officers • Creation of high-quality shared spaces • Sponsorship of sports & educational initiatives • Community events 	<p>Investments through the Community Foundation</p> <p>Employee hours spent at corporate volunteering days</p> <p>Community events held at GCP properties</p>

See Society – Community engagement on pages 35 to 37 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Occupational health & safety	Promoting health, safety & wellbeing in the work environment	<ul style="list-style-type: none"> • Compliance • Sanctions & fines • Recruitment & retention • Staff productivity 	<ul style="list-style-type: none"> • Health & Safety Policy & procedures, including incident monitoring • Mandatory annual health & safety training for all staff • First Aid Officers throughout the Company, and company physician • Initiatives to encourage healthy lifestyle 	Work-related incidents

See Employees – Health, safety and wellbeing on page 25 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Core labour standards	Conditions of employment for employees, rights of co-determination, salary structures, employee satisfaction, corporate culture and ethics	<ul style="list-style-type: none"> • Reputation • High turnover resulting in loss of expertise and intellectual capital • Inability to attract talent 	<ul style="list-style-type: none"> • Code of Conduct & Anti-Discrimination Policies • Whistle-blowing mechanism • Remuneration & benefits package • E-learning management system and In-house training academy 	Incidents of discrimination Hours of employee training Gender pay gap Employee retention rate

See Employees – Diversity and anti-discrimination and Governance – Human rights on pages 25 and 42 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
Energy & emissions	Enhancing energy efficiency; investing in renewable energy systems & procuring renewable energy through the grid	<ul style="list-style-type: none"> • Compliance • Energy cost • GHG emissions • Long-term asset values 	<ul style="list-style-type: none"> • Environmental Policy • Life-cycle assessment • Asset enhancement to deliver higher portfolio environmental performance • Energy cost reduction focus within investment strategy & refurbishment activity • Systematic roll out of advanced heating systems • Regular technical audits for continuous improvement • Switch to gas providers who offset their CO₂ and electricity providers with 100% renewable sources • Ongoing performance data monitoring & benchmarking 	% of assets supplied by renewable energy Building energy intensity Total GHG emissions (like-for-like) GHG emissions intensity from building energy

See Environment – Energy and emissions on pages 30 to 31 for further information

01

TENANTS



TENANTS

Tenants' well-being and safety are fundamental to GCP's successful long-term business performance. As such, tenant satisfaction and health & safety are the primary focus of our efforts, and we aim to continually enhance the quality and safety of our residential units and their surroundings to deliver a high standard of living. We do this via a three-fold approach: investing in building modernisation; providing outstanding customer service and realising active community involvement that promotes greater social cohesion.

TARGETS

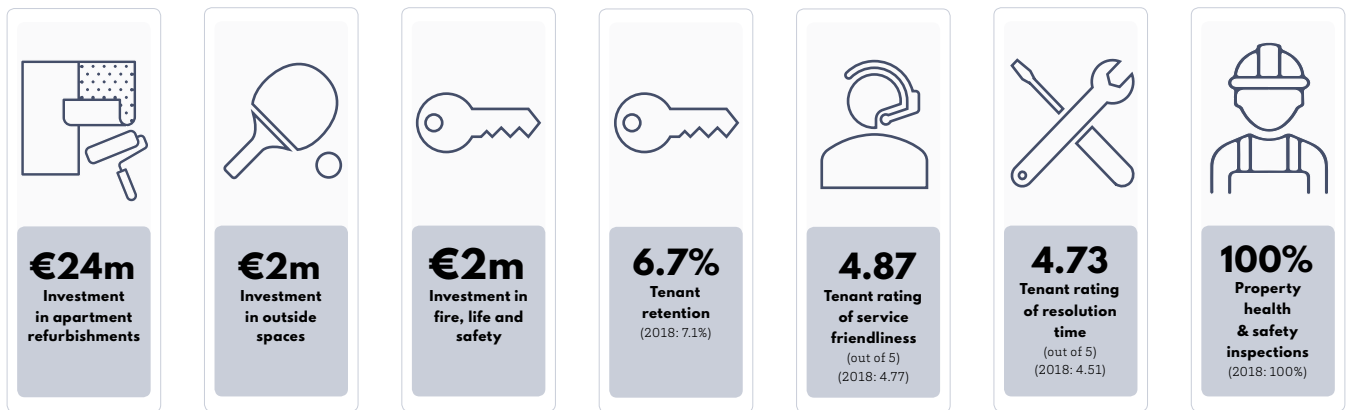
- **Create a high standard of living at our properties through safe, attractive buildings, active community building, and engaged customer service**
- **Retain residents by actively fostering tenant loyalty, by creating supportive, affordable communities where people enjoy living and staying**
- **Continually enhance tenant satisfaction levels with regard to all assessment areas**



Our endeavours to ensure the highest levels of tenant satisfaction by building resilient infrastructure and focusing on inclusiveness, innovation, sustainability and safety support the United Nations Sustainable Development Goals (UN SDGs) for Good Health and Well-Being (#3) and Sustainable Cities and Communities (#11).



KEY FIGURES ²



TENANT SATISFACTION

GCP aims to create supportive, affordable communities where people enjoy living and staying. Tenant satisfaction is a prime indicator of our performance as it translates into high occupancy rates, contributing to strong long-term returns. Tenants' interests are top of mind not just for our Service Centre and operations teams, but throughout our whole company.

Our approach to tenant satisfaction involves three strategies:

- Investing in building infrastructure so that we can offer tenants a higher standard of living in safe, comfortable, efficient and attractive buildings with additional amenities (see also New housing and residential concepts on pages 20 to 21 below).
- Providing outstanding customer service through the GCP Service Centre; face-to-face contact and other points of contact (see also Communication and transparency on page 20 below).
- Active community involvement to promote a strong sense of neighbourliness and connection with the local community (see also Society – Community engagement on pages 35 to 37).

² As at 31 December 2019.

INVESTMENTS TO PROMOTE HEALTH AND SAFETY AND ENHANCE THE TENANT EXPERIENCE

The GCP Health and Safety Policy sets out our commitment to protecting the health and safety of our tenants, and the procedures we employ throughout the asset lifecycle including hazard assessment, training, communication and reporting. The policy covers all aspects of health and safety including drinking water quality, fire safety, equipment specification, site maintenance and air quality.

When a new property is bought into the portfolio, GCP's comprehensive due diligence risk assessment enables us to identify risks and implement preventive maintenance solutions to eliminate problems before they occur. Extensive assessments of the building's structural characteristics are carried out, providing the basis for targeted investment in refurbishment activities.

Investments to improve safety risk prevention are pursued as a priority, with diligent attention to fire safety. Where necessary, we commission expert advice opinion from external fire safety specialists and subsequently align our investments with their recommendations. For example, if deficits are identified, these are documented and reported to the construction department who is responsible for executing the necessary remedies and reports on a regular basis to the regional directors. Follow-up processes verify that the work has been carried out and the deficit corrected satisfactorily.

Aesthetic works to enhance the building's exterior; increase its energy efficiency; create new facilities for residents and make the property more accessible to tenants with special mobility needs are all considered at the acquisition state, and measures are implemented which benefit tenants through improved temperature control and indoor environmental quality; lower utilities costs; easier movement in and around the building and additional communal space and services. If social challenges are identified at the acquisition stage, GCP supports tenants by offering additional services such as Community Relations Officers, assistance with local authorities or mediation in cases of dispute.

As part of the asset repositioning process, GCP engages with tenants to understand their needs, ensuring that investments made bring positive social benefit and enhance quality of life. Infrastructure investments cultivate a sense of community, and by involving tenants in the evolution of their living environment, GCP increases the likelihood of earning our customers' trust and loyalty. The ongoing presence of four Community Relations Officers at selected properties also helps to build stable communities and minimises risks of crime, property damage and rental debt.

During the operational phase, GCP takes its responsibility to continually enhance the quality of its residential units and their surroundings very seriously. Onsite property management teams ensure we maintain a strong on-site presence to monitor, report and remedy any health and safety defects within the specified time frames set out in our policy. They are supported by regular site inspections and

technical assessments as required by national legislation covering general technical assessments (i.e. water quality, elevators), fire protection systems and other organisational measures (i.e. assigning fire protection officers, provision of a fire protection order, internal and external fire protection audits). Regular site visits also play a key role in preparing budget decisions for each property.

CUSTOMER SERVICE

GCP's customer-led approach begins at the very start of the individual tenant journey. The GCP Service Centre is open for prospective tenants 24/7, with rapid response on requests for information in multiple languages and arrangement of property viewings, and thereafter continues to be available to signed tenants for all types of day-to-day issues that require landlord assistance, throughout the duration of their occupancy (see page 20). If tenants have personal challenges, they can count on the support of GCP's Community Relations teams and on-site staff to assist in matters such as communication with schools and local authorities and overcoming language barriers. Through the course of their tenancy, GCP's customers benefit from the roll out of structural improvements within their building, and the ability to co-create and participate in social activities for their residential community.

Moreover, we seek to constantly surprise our tenants with a continuously improved service that exceeds what have become standard expectations. For example, over the past couple of years, we have sought to improve digital access to our Service Centre, with mobile apps and "chat" functions. The relaunch of our tenant portal provides all our tenants with an exclusive special offer program, including shopping discounts that aim to make day-to-day errands easier. A tenant loyalty program is also under development and planned to be rolled out in 2020.

Feedback received from tenants is used to support continual improvement. By nature of its ticketing system, the GCP Service Centre enables us to build up a valuable dataset on service performance, which in turn helps us to eliminate sources of tenant dissatisfaction through a preventive approach and identify further ways in which we can improve living standards.

We track and review quantitative indicators of customer satisfaction on a continual basis, covering the tenant life-cycle from their first interaction with GCP as a prospective tenant through to departing tenants when they leave one of our properties. After each service request has been closed, a survey is issued to the tenant who is asked to assess GCP's performance in terms of friendliness; reachability; quality of work conducted and time to resolution. Over the past five years, we have seen a positive evolution against these indicators. As evidence of the validity of our customer service approach and incentive for GCP staff to keep up their excellent work, in 2019 GCP was rated 4.87 (out of 5) for Service Centre friendliness; 4.76 for reachability; 4.75 for quality of work and 4.73 for resolution time.

COMMUNICATION AND TRANSPARENCY

In keeping with our efforts to enhance tenant satisfaction and offer outstanding customer service, we place significant importance on direct interaction and dialogue.

After GCP acquires new properties and begins to plan for structural investments, we liaise closely with tenants' associations to make sure that the improvements proposed are aligned to tenant needs.

Throughout the operational management phase, tenants rely on receiving effective information, advice, and assistance from GCP as their building operator. GCP employees address tenants' concerns through direct interaction as well as via the GCP Service Centre, which offers support in a variety of languages, 24 hours a day, seven days a week, every day of the year. With a commitment to maintaining a 24-hour response time, the GCP Service Centre is contactable via toll-free numbers; by email; the GCP app; the GCP Portal and various 'chat' platforms. It uses a ticketing system developed by GCP that enables all tenant concerns to be documented and addressed consistently. GCP targets minimum waiting times. Our goal is to answer 95% of calls in under 20 seconds. In order to deliver first class service even at peak times tenants can decide to receive a call-back.

The successful running of the GCP Service Centre and other tenant engagement channels is heavily contingent on the ability of our staff to listen and respond effectively, and to cultivate open communication and trust. Hence customer service excellence is a core aspect of staff training. All new employees in the GCP Service Centre receive one month's training in house, immersed in GCP's theory and practices, involving shadowing experienced staff; 'role play' calls and training in conversational standards. Continuous training is part of the job for all staff, including monitoring from 'call listeners' and group debriefs in a convivial atmosphere. Customer service is also an integral part of GCP's Leadership Program, reinforcing GCP's visible management commitment to utmost professionalism in service.

Our service centre boasts TÜV certifications for Proven Service Quality and Quality Management (DIN EN ISO 9001:2015). The quality management certification, confirmed by the independent auditor TÜV Profi Cert Hessen in February 2019 (and re-confirmed in March 2020), provides assurance that the Service Centre is being managed on a very rigorous basis with regards to stakeholder engagement; risk management and continual improvement. In 2018, GCP's customer service by telephone received the best rating out of 11 major property companies tested by the German Institute for Quality Service (DISQ), adding to our confidence in the efficacy of GCP's approach. Opportunities for improvement were identified across all companies surveyed and have been a part of GCP's focus on enhancing digital communications with tenants in 2019.

COMMUNITY INVESTMENT, NEW HOUSING AND RESIDENTIAL CONCEPTS

In our role as asset owner and property manager, GCP has the opportunity to generate significant added social value by enhancing the living conditions offered to tenants. GCP's asset repositioning strategy – from asset selection and acquisition through to our active management approach – is geared towards the development and improvement of residential concepts and in particular the creation of family-friendly living environments.

In the first instance, we source assets which offer potential for structural improvement and higher quality management. Information about a property's tenant profile as well as demographic and social indicators within the surrounding neighbourhood are considered as part of GCP's due diligence assessments, helping to inform the Company's investment approach and management of social risks which could infringe on tenants' quality of life.

These structural investments and operational improvements enhance residents' health and well-being and foster a greater sense of neighbourliness that benefits all tenants in a property. GCP likewise benefits through longer average lease terms as tenants often choose to stay longer in high quality housing with a strong community.

Our social engagement strategy (detailed in the Society chapter, page 35) further leverages our potential to invest in shared spaces in and around our residential assets to promote community events that boost tenant satisfaction and retention rates, as well as meeting local needs. The extent of GCP's approach is unique among the German residential sector, and we offer an extensive range of facilities and tenant events designed to bring neighbours together, creating a sense of pride in their shared building and its surroundings, and enabling us to develop personal relationships with our customers.

Community facilities like indoor and outdoor playgrounds, fitness trails, BBQ areas and tenant libraries create spaces where people can congregate and build relationships, supporting health, well-being and educational development, and offering venues for seasonal celebrations such as Easter, summer fêtes and Santa Claus visits for Christmas (180 tenant events in 2019). Our recently renovated tenant library "Gelbe Galaxie" in Leipzig-Grünau for example, provides a shared space for families and children to learn and socialise. The library houses approximately 4,000 books as well as an extensive range of DVDs, CDs and other media that are available for tenants to borrow free of charge. The library also hosts regular events such as handicraft and story-telling clubs, cinema afternoons, board games and tutoring.

By working closely with local authorities, policy-makers and non-profit organisations, we also channel investments towards services and infrastructure that can bring the greatest benefits to residents. One example is our cooperation with local non-profit organisations that provide educational assistance as well as general care for children

living in our properties. GCP supports these organisations by offering rent-free access to housing units or commercial space, as well as furniture, equipment, and funds to cover operational costs. The case study of Bremen "Grohner Düne" Community Centre, on page 36, typifies this approach.

Secondly, we provide cash and/or in-kind funding to local organisations that deliver social benefits to tenants and the wider community in neighbourhoods where we are present. Examples include playgrounds or sports pitches, as well as funding services such as educational support programmes, sports clubs and social network groups. Recent examples include a €3,000 investment in a community vegetable garden for tenants at Wollepark Delmenhorst; €2,000 support to cover materials and teachers' costs for a community centre at BÜZ Mönchengladbach; and the provision of rent-free space for organizations such as SOS-Kinderdorf, Pentacon e.V., Mosaik - füreinander e.V. and Don Bosco.

GCP currently lets 20 units rent-free (with the majority also being provided with free utilities) for social and/or charitable purposes, equivalent to a donation of approximately €90,000 in unexploited rental income. More information about the wider social benefits of this strategy can be found in 'Society – Community engagement' on pages 35 to 37 of this report.



02

EMPLOYEES



EMPLOYEES

As a leading company in the German real estate sector, GCP is committed to attracting talented people who share our commitment to outstanding customer service. Investing in our people's knowledge, skills and well-being supports their personal growth whilst contributing positively to GCP's productivity and operational performance and giving our company a competitive advantage.

TARGETS

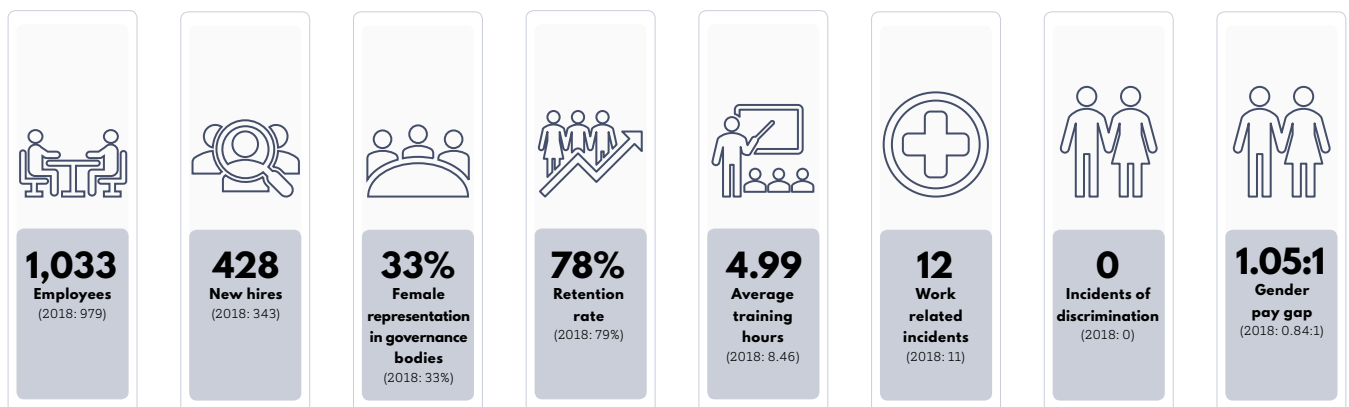
- **Be among the top ten most attractive employers in German residential real estate by 2030**
- **Become a health and wellbeing certified office by 2025**
- **Reduce sick days by encouraging our employees to be active and maintain a healthy lifestyle**



By placing employee health and well-being, education and training, and diversity, inclusion and anti-discrimination at our core, we support the United Nations Sustainable Development Goals (UN SDGs) for Good Health and Well-Being (#3), Quality Education (#4), Gender Equality (#5), and Reduced Inequalities (#10).



KEY FIGURES ³



³ As at 31 December 2019.

COMPANY CULTURE

At GCP we want our people to know that they are an integral part of the company and partake in our shared success. We are dedicated to personal growth as our foundation, and we prioritise creating an environment that encourages people to develop their competencies and pursue their career by moving into the best-fitting roles within the company. With a strong focus on talent attraction and retention, we offer a culture of openness and horizontal management; flexible working hours, varied training and development opportunities and continual support through networks and a management-level mentoring programme.

The GCP Code of Conduct lays out the values behind our culture and the expectations we have of all our employees. At a day-to-day level, GCP considers willingness to help, reliability, and a consideration for others' needs the core attributes for living up to our business promise to tenants and stakeholders, and we expect all staff to exemplify these qualities.

In 2019, our new hire rate of 41.4% reflects our strong growth since 2016, and was partially offset by a turnover rate of 15.2%. Our overall retention rate was 77.9%, and the decrease from 78.8% in 2018 was mainly due to a higher number of departures in our service centre. We welcome feedback from our employees on an ongoing basis, and in 2019 we formally introduced exit interviews for outgoing staff to identify points for further improvement. Having previously carried out ad hoc surveys within individual departments, we are planning to analyse systems for employee engagement in 2020.

PAYMENT AND BENEFITS

Offering an attractive remuneration and benefits package is directly linked to our ability to attract and retain highly qualified personnel.

We are committed to providing fair compensation to all our staff, with salaries and bonuses determined exclusively on individuals' skills, the competencies and responsibilities required by their position and personal success in their role. Our workforce gender pay gap, which was 1.05:1 woman to men for the whole workforce and 0.76:1 women to men at management level in 2019 (respectively 0.84:1 and 0.86:1 in 2018), reflects a higher ratio of women at entry-level positions and compares favourably to national averages of 0.80:1 in 2019 (German Federal Bureau of Statistics).

Our wider benefit package – beyond compulsory pension plans – includes performance-based bonuses; extended annual leave entitlements in line with length of service; and a selection of additional benefits (such as child care subsidies). Gym memberships are available for Berlin-based staff, with on-line retail discounts available to all employees. We are particularly proud of our web-based portal offering employee discounts which was introduced in 2019 and the

deals we have brokered with external companies to provide employees with these additional benefits, one recent example being a cooperation with a childcare operator which enables employees' children to attend a holiday club during school vacations at a cost below the market rate.

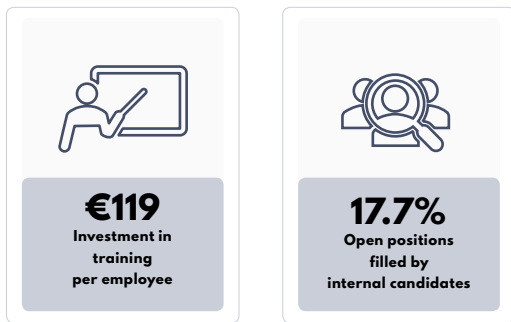
EDUCATION AND TRAINING

Investing in the long-term potential of our staff contributes fundamentally to GCP's commercial success. Moreover, professional development enhances employee motivation and satisfaction, thereby supporting internal mobility and reducing operating costs associated with the recruitment and hiring of new employees by strengthening our ability to attract and retain talent. Staff at all levels and throughout all units of the organisation receive support in developing their skills, and we take an approach that involves unlocking people's potential based on their talents, not just their pre-existing qualifications.

Annual performance evaluations are made for 22% of staff, and individuals work together with their line managers to develop targets and a development plan for the coming year. Previously, staff development has been recorded through our e-Learning Management System. In 2019, the average number of hours of training for each employee was 4.99 (2018: 8.46) representing an investment of €119 per employee, and 107.5 hours for employees on the Leadership Excellence programme (see below).

Training for all employees included soft and specialist skills delivered via traditional classroom settings and e-learning units. In 2020 we will launch a new digital performance management scheme, logging individual performance indicators, skills and competencies within one platform that is linked to the GCP training academy, therefore enabling us to quickly identify a customised training plan for each employee and access performance reviews online.

We focus on enabling employees to acquire the skills they need to undertake new and complex challenges as they navigate the fast pace of change linked to our key trends such as technological innovation and demographics. Alongside our modular e-learning tool, GCP's in-house training academy offers tailored training on a wide range of topics. Seminars are coordinated internally drawing on support from external experts where appropriate, and they promote continuous learning in the context of a real estate industry in continual evolution. In 2018 GCP launched a training course about our sustainable business strategy which was assigned to all staff, providing in-depth information about the Company's focus areas and management of material risks and opportunities. The training is now mandatory for all new employees who join the Company and will be updated on a yearly basis to reflect latest trends and progress made towards our sustainability targets.



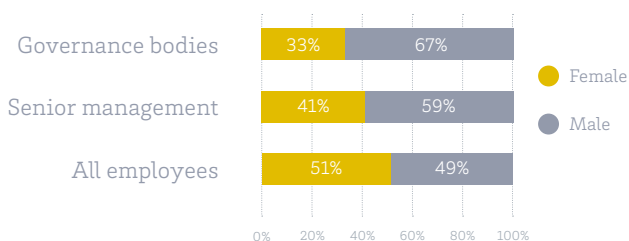
The GCP Leadership Excellence Program – a 12-month program designed to give talented employees the opportunity to build up their competences within a managerial position – likewise focuses on equipping managers with the vital skills they need to tackle complex challenges. Eight women and four men completed our Leadership Excellence Program in 2019 (2018: six women; eight men). A similar development program is in place for talented young graduates.

In line with the German dual-education system, GCP also offers an apprenticeship program in collaboration with the German Chamber of Industry and Commerce. In this format, trainees combine theoretical classroom-based learning with hands-on job experience on rotation in different departments of the company over the course of two to three years. GCP currently has 37 apprentices on role, with a further ten due to start mid-2020.

DIVERSITY AND ANTI-DISCRIMINATION

At GCP we value diversity as an opportunity. We believe that diverse experience, viewpoints and mindsets among our teams enables us to successfully conceive effective and innovative solutions to our business' challenges. With this in mind, we purposefully seek to employ people from a variety of ethnicities, cultures and backgrounds to mirror the diversity of our tenants and enhance the quality of our work. We continue to maintain a very diverse workforce in terms of gender and nationality; our employees represent 41 nationalities and female members of staff occupy 51% of all positions, and 41% of senior management positions.

A Diversity Committee comprised of staff from all levels of employment coordinates our active commitment. Diversity management involves building staff awareness through day-to-day culture and training of how differences are a source of creativity and make our company more flexible, productive, and competitive, as well as ensuring that diversity is given due attention in strategic decision-making within the business.



Safeguarding the diversity of our organization and harbouring an inclusive work environment is a non-negotiable priority for GCP, and discrimination in any form is not tolerated. All employees are required to sign GCP's Code of Conduct, supplemented by our Anti-Discrimination Policy, when they enter into an employment contract with us, and this provides staff with clear definitions of discrimination and harassment and sets out their responsibilities for upholding GCP's behavioural standards and reporting any incidents or suspected incidents that take place. We are proud of our strong track-record on anti-discrimination, as in 2019 once again zero incidents were reported (2018 & 2017: 0).

As testament to our diversity commitment, GCP is a signatory of the Charta der Vielfalt (German Diversity Charter), a corporate initiative to promote diversity in companies and institutions. GCP has also been accepted into the 2020 Bloomberg Gender Equality Index for the first time as a result of our transparent reporting of gender-related data and strength of commitment within our workplace. In 2019, five GCP apprentices took part in the Charta der Vielfalt Diversity Challenge under the team name "Five 4 Diversity". They organized a staff workshop and created video recording interviews with employees from across the Company, drawing attention to the diversity of people at GCP.

HEALTH, SAFETY AND WELL-BEING

A safe and healthy workplace and positive corporate culture together build the foundations for excellent staff performance. As these aspects touch all departments within our business, GCP cultivates a sense of responsibility for health, safety and well-being throughout our entire Company.

The Company's Occupational Health & Safety Policy sets out the standards employees are expected to uphold, such as awareness of safety procedures and responsibilities for the reporting of safety incidents and non-conformances. Safety awareness is reinforced by mandatory annual training completed by all staff.

In general, the nature of GCP's direct operations does not expose staff to high risk factors for physical injury or diseases. All the same, beyond implementing all statutory EU health and safety (H&S) regulations, GCP has adopted additional internal policies designed to achieve the highest possible workplace standards for health and safety. GCP's offices are subject to regular H&S checks. As such, work processes and tasks are always arranged in such a way as to mitigate physical risks as far as possible. Besides having two designated Safety Officers (as per the legal requirement), we have created a network of trained First Aid Officers throughout the Company, currently totalling 82 (2018: 62) members of staff. At the beginning of 2020, each floor of our Berlin headquarters was equipped with automated external defibrillators with training scheduled for staff in the unlikely event that a situation demands them to be used. Furthermore, we employ a company physician who takes responsibility for occupational medical care, performing regular occupational health checks (for example

on workstation ergonomics) and offering a point of contact for all workplace health and safety questions. In 2019, GCP recorded a total of 12 work-related incidents (2018: 11). Accounting for the higher number of employees in 2019, this equates to a reduction in most health and safety indicators, including a lost day rate of 0.0035 (2018: 0.01) and an absentee rate of 6.78 (2018: 7.22). There were no recorded fatalities.

There is a growing body of evidence to demonstrate how the quality of the physical workplace and promotion of healthy lifestyles through exercise and good nutrition significantly impacts on the health, well-being and productivity of staff. With this in mind, GCP has set a goal to have a health and well-being certified office by 2025. We are reviewing the criteria of the WELL certification standard with the purpose of identifying our current position and improvement initiatives needed to reach the standard.

Employees at our Berlin headquarters already have free access to a state-of-the-art fitness centre with training supervision and nutritional advice from qualified trainers as needed, as well as specialised coaching to reduce back complaints associated with prolonged desk work. In 2019 we introduced water dispensers in all GCP offices, encouraging staff to stay hydrated and eliminate the need for plastic water bottles. We also renegotiated the catering contract for our staff canteen, meaning that we are now able to offer a wider range of healthy food choices including vegetarian and vegan diet options. In addition, our training program encompasses stress management and making sure people can 'switch off' at home. In 2020, we will intensify our focus on reducing sickness absence among staff by adopting further measures to encourage healthy and active lifestyles.



03

ENVIRONMENT



ENVIRONMENT

In the context of the global climate and ecological emergency, we take our responsibility to safeguard the natural environment and reduce the adverse impacts of our business activities, including our carbon footprint, very seriously. This approach aligns with our long-term commitment to tenants and society by ensuring that the young and future generations have the resources they need to maintain a high quality of life. Moreover, improving the management of natural resource inputs; emissions and pollutive outputs within our company translates into short-term cost reductions; supports investor attraction and retention and contributes to sustaining the value of our assets in the long-term.



Our efforts to reduce carbon emissions and generate clean energy support the United Nations Sustainable Development Goals (UN SDGs) for Affordable and Clean Energy (#7), Sustainable Cities and Communities (#11) and Climate Action (#13).

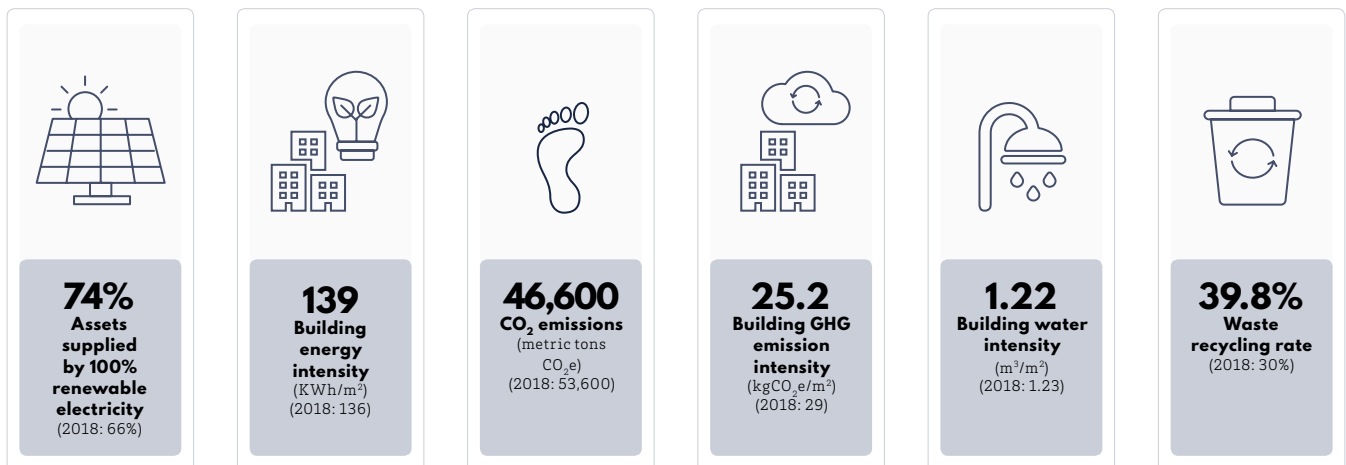




TARGETS

- Achieve a 40% reduction in CO₂ emissions by 2030
- Continue the optimization of heating plants by replacing them with highly efficient heating system solutions, using new technologies such as CHP and CCHP systems
- Expansion of the charging station infrastructure for electric mobility
- Achieve electricity supply from renewables and climate-neutral gas supply for 100% of our assets where we have operational influence
- Include further electric vehicles in our fleet
- Further reduce non-recyclable waste by expanding waste management
- Limit water consumption to only that which is necessary and eliminate wasteful usage as far as possible
- Install solar power production systems on rooftops and parking areas by 12/2020

KEY FIGURES ⁴



⁴ As at 31 December 2019.

ENVIRONMENTAL MANAGEMENT

At a strategic level, we structure our portfolio-building activities around improving the existing building stock, which entails an inherently more sustainable approach. We believe that renewing and revaluing rather than destroying and rebuilding makes an important contribution to tackling societal and environmental challenges in the urban context.

Climate change is an important driver for GCP, and it is within the interest of all our stakeholders that we play an active role in the transition to a low carbon economy. To this end, we are pursuing an ambitious 40% reduction in our CO₂ emissions by 2030 which involves reducing energy consumption; procuring electricity from 100% renewable sources and carbon-neutral gas, and investing in renewable and low-carbon energy infrastructure where economically viable to do so.

Taken as a whole, GCP's approach to community-building and tenant care alongside our focus on environmental improvement aligns to the United Nation's Sustainable Development Goal (UN SDG) of making cities more inclusive, safe, resilient and sustainable (SDG #11). Our efforts to reduce our carbon emissions and generate clean energy support the UN SDGs for Affordable and Clean Energy (#7) as well as Climate Action (#13) and align with Germany's long-term goal to become carbon neutral by 2050.

GCP has implemented a binding Company-wide Environmental Policy which sets out our environmental management standards and framework geared towards continued improvement. This includes monitoring and review; benchmarking; auditing and target setting-processes for energy and water consumption, waste output, use of fossil fuels and CO₂ emissions. It covers all our assets as well as corporate offices.

The Environmental Policy is applied at each stage of the property investment lifecycle. GCP considers the environmental and climate risk profile of all potential acquisitions and uses asset life-cycle assessments as a key tool for decision-making. This involves comparative analysis of a building's energy profile and economic profile, with the former taking account of heat and electricity consumption and CO₂ emissions alongside factors such as location and size of the property or type and size of heating units. From a technical perspective, the building fabric, materials used, and other considerations related to environmental performance are reviewed. Information provided for the property's energy performance certification complements this review, which is used to provide information about the potential repositioning opportunities presented by the asset.

GCP's asset repositioning strategy prioritizes significant investment in technical improvements, particularly energy efficiency upgrades. Deeper technical due diligence studies inform which measures should be pursued on the basis of economic business case; tenant satisfaction and environmental benefit. The integration of green spaces and careful maintenance of existing green spaces is also considered, balancing tenants' needs for infrastructure with the health and well-being benefits of direct access to natural surroundings.

From a strategic perspective, GCP strives to increase the share of green buildings within our portfolio. However, we do not undertake any greenfield development and the vast majority of the GCP portfolio comprises acquisitions of existing building stock, very little of which qualifies for green building certification. Consequently, our focus naturally falls on our ability to increase the environmental performance of the operational building.

Likewise, another consequence of our approach means that we do not have a significant impact on biodiversity through green field development. Nevertheless, we are committed to enhancing biodiversity across our portfolio. Many of our properties have substantial amounts of green space that can play an important role in protecting urban biodiversity – as well as contributing positively to tenant's well-being and satisfaction. Our tenants benefit greatly from the incorporation of these green spaces, either newly built or reclaimed from previously developed area. We are therefore exploring how we increase our management of these areas, such as installing bee-hives and encouraging tenants (adults and children) to participate in projects such as creating wild flower meadows, community gardens and using their balcony to plant flowers.

Tenant involvement and awareness are key to reducing the operational impact of GCP's assets, as tenant utilities' consumption and waste production account for the most significant environmental impacts across the scope of our activities, including an estimated one third of our total energy and carbon footprint. We publish leaflets for tenants that educate them on environmentally friendly heating behaviour and coordinate closely with other stakeholders to increase tenants' sense of responsibility and understanding of the benefits of lowering their environmental impact.

GCP reports environmental data in line with the EPRA Sustainability Best Practice Recommendations (sBPR), and we have earned an EPRA Gold medal in recognition of the rigour of our reporting for the last three consecutive years. Throughout 2019 we continued our efforts to increase the coverage of our environmental performance data, collecting data for landlord obtained utilities across a greater number of assets. Hence our reported environmental data for the calendar year ending 31 December 2019 covers 31,150 units (up from 26,017 units in 2018), compared to a total portfolio of 77,000 units. By conducting rigorous analysis and internal audit of the dataset on a regular basis, we are also confident that environmental performance data is being reported to a higher quality standard. In 2020 we expect to proceed with the planned introduction of a new environmental management software, enabling us to further improve the scope and accuracy of our data and increase the efficiency of data collection, analysis and reporting processes.

ENERGY AND EMISSIONS

GCP is strongly motivated to reduce the energy and carbon intensity of our operations.

As part of the due diligence that takes place during the acquisition phase, structural interventions to improve a building's energy performance characteristics and lower its CO₂ emissions profile are identified and assessed, along with upgrades to energy-consuming systems and equipment. These include measures such as thermal insulation and modernisation of heating systems if technically possible and economically feasible to highly efficient energy centres by implementing systems that combine power production with thermal energy, which are then factored into the capital expenditure budget that forms part of GCP's asset repositioning process.

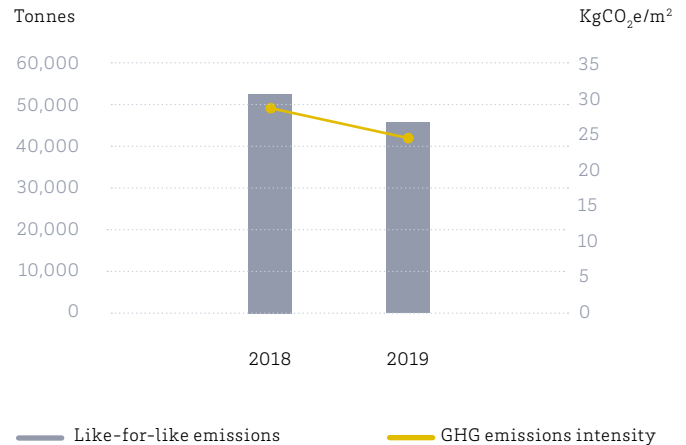
Through the operations phase, regular performance benchmarking, site inspections and technical energy audits based on external certification standards such as EN 16247 are carried out to identify both capex and operational management improvements on an ongoing basis. Outdated or inefficient equipment is replaced wherever technically and economically feasible, and replacement systems are selected for highest technological advancement and efficiency benefit. In 2019, more than 100 heating systems were modernised across our portfolio. Enhanced metering systems are also being rolled out across the portfolio with digital and remote readable meters progressively replacing older analogue models. The technology means GCP is well placed to comply with amendments to the German heating cost regulations in 2020, which include a requirement for tenants to receive a monthly notification of their heating use in a bid to reduce energy consumption and associated GHG emissions.

As part of an initiative brokered by our major shareholder, Aroundtown SA, we are also working in partnership with IP Innovative Power GmbH, an energy development company, to analyse the feasibility of installing technologies for renewable or climate friendly energy. In the first instance, this involves projects that will supply residential units with solar photovoltaic (PV) energy. Going forwards, GCP would like to increase the amount of assets with on-site energy systems such as PV and combined heat and power (CHP). This would enable us to generate and supply decentralised electricity and heat to tenants.

Within the contractual limits set by existing agreements, we are switching the entire asset portfolio to electricity from 100% renewable resources. As of 31 December 2019, 74 % of the portfolio was supplied by renewable electricity contracts (2018: 66%), along with all of GCP's corporate offices. The switchover will be implemented for all remaining assets when existing contracts expire and will be activated immediately for new acquisitions. This initiative has contributed to GCP achieving a like-for-like reduction of 13% (7,000 metric tons) in Scopes 1 and 2 CO₂ emissions in 2019, compared to 2018, which is equivalent to the average per capita emissions of 729 German citizens⁵. It also trans-

lates to lower value of carbon intensity for our operational assets. Similarly, the GHG emissions intensity of our portfolio also decreased by 13% from 28.96 kg CO₂e/m² in 2018 to 25.18 kg CO₂e/m² in 2019.

GHG EMISSIONS (SCOPES 1 & 2)



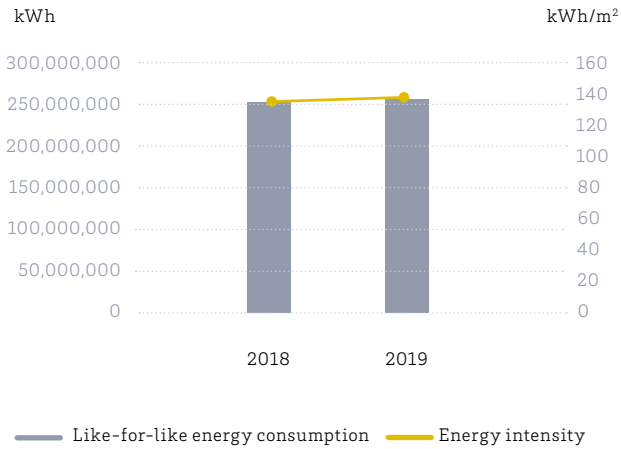
In buildings where heating systems use fossil fuels, potential for modernisation to higher-efficiency systems is reviewed regularly. Around 46% (2018: 46%) of the GCP portfolio is supplied by centralized gas-powered heating systems. Of these, 93% (2018: 52%) have been switched to climate-neutral gas. As further pre-existing contracts expire, we will be concluding cost-effective new contracts with suppliers who deliver 100% climate-neutral gas.

Energy contracts at the individual unit level are agreed by the respective tenants, thus limiting GCP's scope for influence. All the same, we strive to provide tenants with consistent and relevant information about their energy consumption, and the progressive installation of sub-metering systems enables each tenant to be charged according to real consumption rather than average consumption over a group of units. Tenants therefore have a greater incentive to reduce energy use, as this translates directly into a cost benefit for them. GCP has developed a variety of materials in different languages promoting energy saving behaviour among tenants, emphasising the links between resource efficiency, cost saving and environmental benefit.

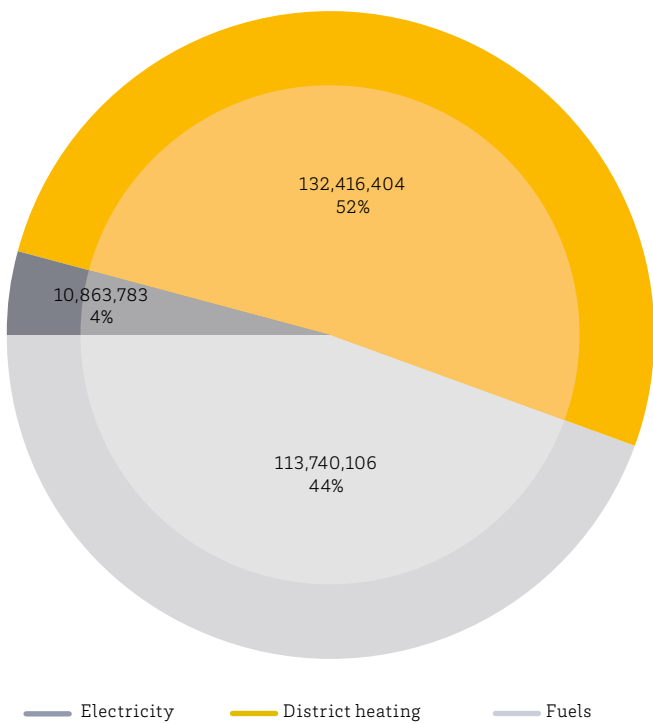
In 2019, electricity consumption increased by 2% across our portfolio, fuels consumption by 8%, while district heating decreased by 2%. As a result, the total energy intensity of our portfolio (measured in kWh/m²) increased by 2.42%.

⁵ Based on 2018 data published by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the annual CO₂ emissions in Germany are approximately 9.6 tonnes per capita

ENERGY CONSUMPTION



2019 ENERGY MIX (KWH)



We also strongly consider the energy and carbon impact of our corporate operations. In 2019, we acquired electric vehicles for our pooled car fleet, and by the end of 2020, the majority of the fleet will be comprised of these lower impact vehicles. In addition to the fleet at the Berlin headquarters, two electric vehicles are to be acquired for each of the larger offices in Germany. As in Berlin, the offices are starting to be equipped with EV charging stations and will continue during 2020.

WATER

We aim to limit water consumption to only that which is necessary and eliminate wasteful usage as far as possible. GCP complies with the high standards for water quality and wastewater disposal set at EU and national level, and additionally we adhere to our own standards set out within our Environmental Policy.

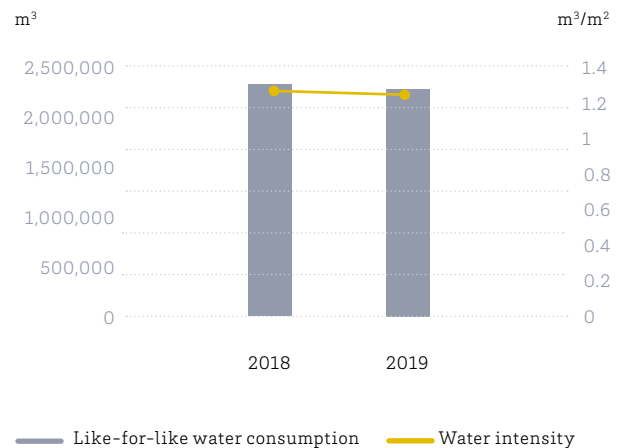
GCP's own operations do not entail significant water consumption; the most substantial impact in terms of water withdrawal occurs at the point where tenants enter the value chain. GCP's ability to influence tenant water consumption is limited but can be aided by using advanced measurement and pragmatic engagement techniques.

In the first instance, GCP carries out random checks of general and user-specific water consumption data via the meter readings it receives as part of the billing process. Data is evaluated to identify inefficiencies and potential interventions from both a structural and management perspective. As such, water efficiency improvements include both technical measures, such as the replacement of water consuming systems and fittings as well as building management and tenant awareness-related measures.

Through 2019, we continued to extend the collection of water consumption data from our assets, facilitated by the roll out of digital meters. 100% of assets already have sub-meters in place to measure both hot and cold-water consumption, supporting the tenant engagement process and enabling us to notify tenants at times when their consumption is unusually high. Tenants are provided with leaflets and videos in several languages, informing them about the benefits of water conservation in terms of cost and time savings as well as reduced environmental impact.

During 2019, absolute water consumption across our portfolio reduced marginally by 1% compared with 2018 to 2.255 million m³. The water intensity of our portfolio likewise reduced by 1% to 1.22 m³/m².

WATER CONSUMPTION



WASTE

Our goal is to reduce waste output from our activities and the disposal charges that this incurs. GCP's most significant waste impact is generated from two sources: the refurbishment of buildings as part of our asset repositioning, and tenant activities. In Germany, waste management is based on the principle of shared public and private responsibility. The Circular Economy Act (KrWG) which entered into force in 2012 introduced the five-tier waste hierarchy which prioritizes prevention, preparation for reuse, recycling and other forms of recovery.

GCP has greater ability to control and influence waste production and disposal from refurbishments. On larger projects, reviews of the type and quantity of waste anticipated are carried out as part of the due diligence process, thereby enabling us to plan appropriately for the management of hazardous or other waste streams that are more difficult to recycle. As a commercial operator, we must comply with requirements for the mandatory separate collection of specific waste fractions and ensure that any mixed waste remaining after segregation must be pre-treated.

During the operations phase, reducing waste and ensuring good housekeeping of unavoidable waste helps to keep service costs down and make buildings more attractive to current and prospective tenants. Although GCP cannot directly control tenants' management of waste, we strive to promote good practices by providing facilities for waste segregation and information in multiple languages on correct waste handling and recycling, and engaging tenants in waste reduction initiatives. For example the "Gelbe Galaxie" - a library for tenants in Leipzig - will host 'upcycling' workshops during 2020 to engage tenants on the waste life-cycle, waste reduction and creative reuse ideas.

Nonetheless, we have found that opportunities for more effective recycling have been lost due to inefficient on-

site segregation on the part of tenants. As such, we have begun working with external providers to optimize the waste segregation and recycling progress at our assets. 30 % of our portfolio is currently under contract with supplier Innotec which provides proactive assistance to increase on-site segregation of waste, thereby increasing recycling rates and avoiding costs on non-recyclable waste. We have plans to increase the coverage of the contract to encompass a larger number of assets in 2020. We have also piloted a pay-by-volume waste system at select locations, which involves tenants using an electronic chip which monitors the volume of waste they dispose of and bills them accordingly. This system highlights the mutual benefit of waste reduction, focusing on cost.

In 2019, total waste generated across our portfolio was 187.4 million litres, of which approximately 40% was recycled. The total volume of waste is partially estimated based on the total volume of non-recyclable waste data obtained from 95% of applicable bills. The total proportion of recycled waste is based on household averages published by the German Environmental Protection Authority. For more information, see the Reporting pack, page 52.

With respect to both refurbishment and tenant waste, we continue to increase the scope and quality of our data collection, and carry out due diligence and benchmarking assessments to highlight improvement opportunities. As a fundamental principle, GCP ensures that waste contractors are subject to regular checks, that proper disposal is in line with legal requirements and that waste is being recycled appropriately.

Within our own offices, GCP has introduced waste separation in all office kitchens and in 2019 introduced water dispensers, avoiding the use of hundreds of plastic bottles per day. We also seek to reduce paper use, with initiatives such as the introduction of paperless payslips which have been taken up by 79 employees to date.

04

SOCIETY



SOCIETY

GCP has a strong sense of responsibility to the communities where we invest. Positive relationships with local authorities, residents and charitable partners are essential for the business, and are a priority throughout the life-cycle of every investment we make. Above all, community investment is driven by a desire to support long-term vibrant and friendly communities in and around our properties, on the premise that strong communities increase residents' quality of life. Additionally, proactive community building helps us to secure building permits; find collaborative solutions to mitigate social risks; maintain a good tenant structure and enhance tenant attraction and retention.

TARGETS

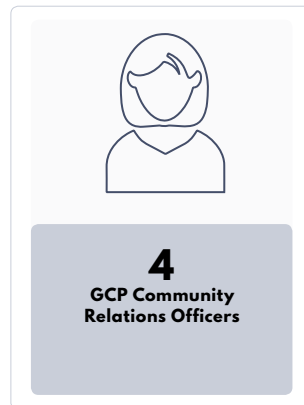
- **Build supportive and affordable communities where people want to live and stay**
- **Target investments toward the creation of high-quality shared spaces for tenants and support local community-building organisations**
- **Support measures that are geared to pay into achievement of the United Nation's Sustainable Developments Goals (SDGs)**
- **Invest €500,000 p.a. in community building activities until 2030**



Our efforts to address local challenges in the communities where we operate and create long-term socioeconomic benefits supports the United Nations Sustainable Development Goals (UN SDGs) for #3 Good health and well-being, #4 Quality education, #10 Reduced Inequalities and #11 Sustainable cities and communities.



KEY FIGURES ⁶



⁶ As at 31 December 2019.

COMMUNITY ENGAGEMENT

GCP's social engagement strategy is deployed in three key formats. Firstly, we leverage the potential to use shared spaces in and around our residential assets to promote an extensive programme of community events which are managed by our central team and hosted by local property managers. We have learned over the years that these events have an important function in bringing neighbours together, creating a sense of pride in their shared building and its surroundings, and enabling us to develop personal relationships with our customers based on cooperation and trust. In 2019, GCP celebrated a total of 180 events with tenants across our portfolio (2018: 168).

Secondly, GCP develops relationships with and provides cash and/or in-kind funding to local organisations which are well-placed to deliver additional social benefits to tenants and the wider community in each neighbourhood where we are present, taking account of real local needs. This typically involves infrastructure investments - such as the creation of library rooms, playgrounds or sports pitches - and the funding of services such as educational support programmes, sports clubs and social network groups. Recent examples include a €3,000 investment in a community vegetable garden for tenants at Wollepark Delmenhorst; €2,000 support to cover materials and teachers' costs for the community centre BÜZ Mönchengladbach and the provision of rent-free space for organizations such as SOS-Kinderdorf, Pentacon e.V., Mosaik - füreinander e.V. and Don Bosco.

We currently let 20 units rent-free (with the majority also being provided with free utilities) for social and/or charitable purposes, equivalent to a donation of approximately €90,000 in unexploited rental income. When we developed our integrated sustainable business strategy, we started working on a multilateral social engagement project at Bremen Grohner Düne (see case study) and have been doing so for some years now. We aim to position this initiative as a blueprint for other locations to replicate, since some of them face similar challenges and our engagement was able to return positive outcomes

The recently launched GCP Foundation will focus on channelling €500,000 per year of social investment into charitable purposes within the neighbourhoods surrounding our assets, up to 2030. In 2019 we established the governance structure for the Foundation, which includes a Committee comprised of staff from GCP's management team, overseen by an independent Board of Trustees. This structure helps us to ensure that funding is targeted at projects that will deliver tangible social benefits for residents and wider communities. Proposed projects will be discussed by the Committee every four months, and decisions will be submitted to the Board of Trustees for approval before funds are directed to charitable organisations, subject to standard compliance and risk management checks.

In 2019, the Foundation allocated over €100,000 in funding to over 20 projects which help to support causes such as youth and elderly care, education and vocational training, and development cooperation. In 2020 regional budgets will be allocated to encourage investment to be

shared out more equally across the cities where GCP is present, and employees will be encouraged to put forward ideas for projects based on their contact with tenants and community groups.

Through these activities, GCP increases social integration and equal opportunities for our tenants. As such, we contribute to the targets of the United Nation's Sustainable Development Goals in the areas of #4 Quality education, #3 Good health and well-being, #10 Reduced Inequalities and #11 Sustainable cities and communities. Ongoing engagement with tenants through the GCP Service Centre, targeted tenant surveys and personal contact, complemented by GCP's due diligence assessments and our contacts with local authorities, enables us to identify the most important areas of focus in each location.

The third format involves the promotion of community involvement on the part of GCP employees. We directly employ four full-time Community Relations Officers; trained social workers who are deployed regionally to assist tenants on a personal basis (see page 19 above). Property managers provide a point of contact in areas where there is not a dedicated Community Relations Officer, and they make themselves personally known to tenants through participation in community events and regular site visits.

Furthermore, employees are encouraged to participate in corporate volunteering activities with an allowance of one day's paid work time to do this. In 2019 six "Social Days" were organized in cooperation with the "Lebenshilfe e.V." (a charitable organization that supports handicapped persons). Thirty GCP employees from the Berlin headquarters took part in six different initiatives including a children's excursion, maintenance work and gardening. This initiative will be expanded to include other regions in 2020, so that all GCP employees in Germany will be able to participate.

Other activities included our participation in the JLL Cup, a charitable football tournament organised for the corporate real estate sector in Berlin. GCP emerged victorious and in the process helped to raise €15,500 for the Kinderleben e.V. foundation which supports children and adolescents with cancer. Twenty-eight employees also underwent typing tests organised by the international charity DKMS that aims to help people suffering from leukaemia by matching them with suitable bone marrow donors.



CASE STUDY: BREMEN COMMUNITY CENTRE

In the context of our social engagement strategy, we wanted to find a way to support tenants and people within our communities from a different cultural background who have recently arrived in Bremen.

Grohner Düne, acquired by GCP in 2014, presented itself as an ideal location due to its long history as a home for recently arrived migrants. The complex houses 570 residential units across two high-rise blocks built between 1969 and 1973 in the Grohn district of Bremen. Approximately 90% of its residents have a migration background – compared with 32% for the city as a whole – and the unemployment rate is as high as 59%.

Despite these significant social and economic challenges, and continued underinvestment over its forty-year history, GCP has worked closely with the local authority and non-profit organisations to improve the reputation of the complex and the life outcomes of its residents.

GCP has reduced the vacancy rate to almost zero by investing significantly in the property's modernisation, including improved fire safety, renovated vacant apartments, stairwells and new play equipment in the communal grounds. A number of vacant former retail units on the ground floor provided an opportunity to fulfil our vision, and we invested €50,000 to support two initiatives organised by the Work and Learning Centre Bremen-Nord (ALZ) and SOS Children's Village to expand our resident services.

The ALZ proposed "Düneweg", a project that will support women from migrant backgrounds to acquire the necessary skills to manage everyday life in a new country and culture. Scheduled to open in 2020, it will include an employment program and workshops and information on topics such as healthcare, nutrition, education, ecology, and getting to know the area and local authorities. Women will also be able to participate in craft activities. "The project is open to all women with a migration background," explains project manager Kirsten Gharbaoui, and "the goal is for women to become active themselves". Düneweg has already registered significant interest ahead of its opening.

SOS Children's Village supports disadvantaged families through childcare provision, food and education. It has also initiated a second-hand shop for children's items and a "bridge" project for parents and children, encouraging resident engagement through child care; children's play; music; education and citizen's advice. One project in particular, "SPIELRAUM", provides sporting activities such as football and basketball on the soccer field opposite the dune. SOS Children's Village sees regular training as an opportunity to not only promote self-confidence, but also to improve long-term relationships and social skills amongst children regardless of linguistic, cultural and social conditions.



CASE STUDY: DELMENHORST

■ GCP's Wollepark housing complex spans two properties located on either side of a park in the city of Delmenhorst in Northern Germany. When the properties were acquired by GCP in 2014, the buildings were in a generally poor condition and its residents faced a number of challenges, including high levels of unemployment and social exclusion. The complex subsequently suffered from a high number of vacancies, litter, poor maintenance and no tenant support services. Despite a warranted demolition approved by the local authority, we convinced them of our plan to improve the property and enhance its reputation for the wider benefit of its residents and the city.

Our solution required a major renovation effort: existing apartments were refurbished, a playground for families was built, bicycle stands were introduced, a communal garden was established, and the hallways and building entrances were revamped to improve their appearance. As well as improving the quality of life for tenants, the investments have significantly reduced the vacancy rate to almost zero.

Key to the project's success were the strong relationships we established with local stakeholders to communicate our vision. The opening of a tenant office made it possible to organise tenant events, including Easter activities, a neighbourhood festival for residents and visitors, and Christmas celebrations such as Father Christmas visits and carol concerts. By letting two apartments rent free, the complex now includes a bicycle repair shop and swap shop.

Feedback from tenants and the wider community has been overwhelmingly positive. The bicycle workshop and shop have been praised as a place for residents to meet and strengthen social contacts. Residents also feel that, at last, their needs are being met and their concerns listened to: "A resident told us that so much has not happened since 1986. The people here have hope again," says Kira Dartsch, who is responsible for community work in the neighbourhood.



Going forwards, our priorities are to continue to cultivate deeper relationships with tenants and increase awareness of GCP's community involvement, particularly as we continue to improve our local building-based service offer and identify and allocate funds to new wider-reach projects through the Community Foundation. We see these efforts as vital for increasing social capital in the areas where GCP has long-term interests, and ensuring that our tenants are happy; integrated and settled within their local communities.

05

GOVERNANCE



GOVERNANCE

GCP is wholly committed to maintaining stringent standards of ethical behaviour covering topics such as anti-corruption measures, avoiding conflicts of interest, preventing bribery, and anti-discrimination. Our core values of integrity, respect, performance, accountability and sustainability apply to customers, business partners and employees alike. These values also form the foundation for the corporate governance structures we have implemented to ensure this commitment is upheld.

TARGETS

- **Maintain zero compliance violations**
- **Ensure that all personal data stored and/or processed in the course of the Group's operations is protected from manipulation and misuse**
- **Maintain zero human rights violations in the supply chain**



By promoting robust corporate governance and upholding high standards of business ethics in our operations and supply chain we support the United Nations Sustainable Development Goals (UN SDGs) for Peace, Justice and Strong Institutions (#16) and Partnerships for the Goals (#17)



KEY FIGURES ⁷



0
Compliance violations
 (2018: 0)



0
Instances of data protection breach
 (2018: 0)



0
Human rights violations
 (GCP operations & supply chain)
 (2018: 0)

⁷ As at 31 December 2019.

MANAGEMENT AND OPERATIONS

GCP is guided by the strategic leadership of the Board of Directors and operational oversight from the CEO, Mr. Christian Windfuhr.

The Board of Directors represents the shareholders as a whole and makes decisions solely on the Company's best interest and independently of any conflict of interest. The Board of Directors and senior management regularly evaluate the effective fulfilment of their remit and compliance with strong corporate governance rules. Five committees consisting mostly of independent directors provide comprehensive oversight: The Audit; Risk; Remuneration; Nomination and ESG Committees. All directors are appointed by the General Meeting and guide the Company free of any conflicts of interest. The Company's directors and senior executives are specialists in their field with vast and diverse experience and skills that aid us in maintaining the high level of trust we have received from our shareholders, bondholders, tenants, and other stakeholders. For further information about GCP's Board of Directors and Governance Committees, please see our Consolidated Financial Statements for the year ended December 31 2019, pages 33 to 35.

To ensure optimal consideration for the Company's philosophy of value-oriented business, ESG criteria have been integrated both structurally and in strategic functions. The CEO has assumed direct responsibility for ESG topics and chairs GCP's CR Steering Committee, the members of which include all relevant heads of department. The Committee is charged with overseeing strategic guidance for CR topics and discusses developments in regular committee meetings and provides direction to GCP's CR Department.

CR RESPONSIBILITIES AT GCP



The CR Department bears responsibility for the concrete realisation and operational implementation of GCP's CR strategy by liaising with all other departments in the Company. It is also charged with preparing GCP's materiality analyses and CR reporting and responds to investor enquiries and rating agency requirements on ESG topics. The CR Department is led by the ESG Coordinator and reports

directly to the CEO. This streamlined structure ensures that GCP's commitment to sustainability receives due consideration in strategic oversight as well as operational management at the highest level.

RISK MANAGEMENT

GCP's ability to identify attractive assets and create long-term value growth is dependent on recognising and mitigating the various risks our business faces.

Risk management is overseen by the Risk Committee, which is responsible for carrying out regular analyses of the Company's risk position, closely monitoring and managing potential risks and setting appropriate measures to minimise adverse impacts. There are both internal and external risks that have the potential to negatively impact GCP's operations.

Internal risks include risks resulting from human negligence, unethical behaviour, or inadequate structural frameworks. They are managed through a set of internal control points that cover ongoing risk assessment; control discipline through GCP's organisational structure and staff commitments; compliance checks and verifications and monitoring. This encompasses, for example, stringent procedures concerning the approval of payments and costs. GCP also includes the identification of potential financial liabilities and future expenditures linked to ESG risks within our organisational risk assessment, and ESG-related expenditures are included in the financial budget.

External risks relate to interest rate volatility, liquidity, ability to attract credit, regulatory and legal factors, market behaviour, and collection and tenant deficiencies. GCP sets direct and specific guidelines and boundaries to address each type of risk, hedging and reducing to a minimum the occurrence of revenue loss or potential default.

The Company pursues a conservative financial policy aligned to our long-term goal of achieving an A- global credit rating. As such, our loan-to-value ratio is limited to 45% (33% as of 31 December 2019) and we take advantage of a long debt maturity schedule and low cost of debt at 1.3%. The Company maintains consistently high debt service cover and interest service cover ratios, and 93% of interest is hedged. Moreover, GCP maintains a strong diversification of funding sources, which is enabled by our proven track record in issuing instruments across various capital markets: straight bonds, convertible bonds, perpetual notes and equity capital, with issuances in various currencies. Bank loans are spread across a range of reliable financial institutions with which GCP maintains long term relationships.

The possible effect of market risks is mitigated by the geographical spread of GCP's portfolio across a number of dynamic cities. This means that the recent rental regulations introduced in Berlin have the potential to impact only a small proportion of our assets. The nature of GCP's investment strategy, which involves investment in under-rented assets with high upside potential, in locations with strong long term economic and demographic fundamentals reduces our exposure to market risk within the industry context. Likewise, our exhaustive focus on tenant support, retention

and community building mitigates risks related to rent collection and tenant deficiencies.

ESG risks have been identified and prioritised by the Company through our materiality analysis and review of macroeconomic, environmental and social trends. The management of these risks is overseen by our CR Steering Committee, with input from all relevant departments. They are summarised on page 11, and presented in further detail in each relevant chapter of this report.

Going forwards, it is our priority to continue to ensure we have the right governance systems and processes in place to manage the range of economic, environmental and social risks to which the Company is exposed.

FAIR BUSINESS AND COMPLIANCE

The confidence our shareholders and investors have placed in our business is one of GCP's most valued assets. We believe that value-oriented stewardship of our company combined with ongoing strong returns are the foundation for this support.

We pride ourselves on working within the highest standards of ethical business, and compliance with all relevant laws and regulations is a matter of course. GCP's compliance processes and control systems help us to navigate increasingly complex legal frameworks; safeguard our business against unethical behaviour and its associated risks and uphold our reputation and commitment towards our stakeholders. As a rule, we do not pursue any political lobbying activities or make donations to political parties. However, GCP does participate in public policy debates through its membership of the German Property Federation (ZIA).

GCP has implemented a comprehensive set of ethical policies and guidelines outlining our commitments to transparency, fair business, and zero tolerance of non-compliance. These form a binding framework and all GCP employees and business partners are required to act accordingly. A management structure is in place to support these policies, covering the full scope of the Company's activities and enabling our management to have full oversight of our operations. GCP's annual risk review feeds into our regular update of all compliance-related policies and procedures, taking account of any changes in the external regulatory context. This enables us to harmonise all Company guidelines with the latest market and legal requirements relevant to our activities.

On a day to day basis, GCP promotes ethical conduct among staff at all levels to ensure that our standards are diligently maintained. Structures are designed to promote timely, complete, and fault-free disclosures of conflicts of interest and other sources of controversies. Employees are strengthened in their ability to take decisions through clear guidelines and internal regulations, and our development programmes for managers emphasise the tenets of professional leadership. Together, these strategies reinforce GCP's position of zero tolerance of compliance violations.

The GCP Code of Conduct for employees and the Code of Conduct for Business Partners comprise the core of our eth-

ical business framework and are a mandatory component within all employee contracts and contracts with business partners respectively. The Code of Conduct for employees sets out clear standards of behaviour and is augmented by a framework of policies on key issues, including: Anti-corruption Policy, Anti-discrimination Policy, Whistle-blowing Policy, Data Protection Declaration, User Policy for dealing with digital content and devices, and the Green Procurement Policy. All employees receive training on the Code of Conduct when they join the firm, and in 2018, we expanded staff education on compliance awareness to include an annual refresher training via an e-learning tool. In 2020, the e-learning tool will be updated and revised together with the introduction of a compliance-specific section on our intranet. The training is mandatory for all employees. GCP also maintains a Code of Conduct for Business Partners, which is included within all supplier contracts (see page 42).

A whistle-blowing service, operated via an external provider, is in place to enable both external and internal stakeholders to report any suspected or verified instance of non-compliance should it occur. GCP's Whistle-blowing Policy is designed to ensure that employees feel empowered to register their concerns. Whilst we encourage employees to address any concerns they might have about violations of the law, the Code of Conduct, or internal policies in person, they may also do so anonymously. In 2020 these routes will be expanded with an anonymous web-based whistle-blower reporting application.

In the event an incident is reported, the Chief Compliance Officer is tasked with initiating an appropriate investigation of the circumstances, conducting discussions with the parties affected, and documenting a formal report. The informant and witnesses are updated by the Compliance Department as needed. Disciplinary sanctions are taken should the preconditions for such measures be met.

GCP's internal control systems have been designed to exceed legal requirements and market expectations, and as such, the Company considers them to be thorough and highly effective. Over the past three years, zero incidents of non-compliance have been identified. Furthermore, we are committed to reviewing and updating our processes on an ongoing basis to ensure optimal alignment with the evolution of our portfolio; the market and regulatory environments.

DATA PROTECTION

Data protection has been a long-standing priority for GCP, and we have already orientated our policies and procedures accordingly. This stance put our business in a good position to ensure compliance with the EU General Data Protection Regulation (GDPR), which came into effect on May 25 2018, as well as be confident in our ability to meet our stakeholders' expectations, with data protection being identified as one of their top concerns. In response to both events, we took the opportunity to review the processes we had in place and provide stakeholders with detailed information about our approach to ensuring the best possible

protection of personal data. Advice from legal experts was sought with respect to all relevant areas, and adjustments were made to GCP's internal systems and guidelines where appropriate.

GCP's approach to data protection management combines the use of high standard IT systems with staff training and awareness. We have adopted an Information Security and Privacy Strategy to protect the confidentiality, integrity and availability of GCP's data across all business process, information processing, storing and transmitting facilities and systems. As well as ensuring the continual improvement of controls, the strategy lays out our data safety and privacy commitments including those relating to security threat monitoring, creating a security positive culture, adherence with legal, regulatory and audit requirements, and assuming a risk-based approach.

In 2019, a Patch Management Policy was introduced to define the requirements for maintaining up-to-date operating system security patches on all owned and managed workstations and servers to reduce potential IT vulnerabilities. This includes systems that contain company or customer data regardless of location. Compliance with the policy and related procedures falls under the responsibility of both the Chief Information Security Officer and the Chief Technology Officer.

Employees follow video-based training units, and staff in management positions receive further input through seminars with legal experts. Though not stipulated by law, we require all personnel to sign a company statement of their explicit commitment to data protection. All staff received training on information security and the GDPR in 2018, and mandatory training on GCP's data breach policy was assigned to staff in 2019. The Company's Standard Operating Procedures (SOPs) make expected courses of action in day-to-day activities clear to all parties, from saving and storing data to handling requests for information. In the event of a possible breach, a task force is formed including specialists depending on the case, to immediately investigate the matter.

GCP treats stakeholders' high expectations in this area with due consideration. We ensure that our Data Privacy Policy is available to tenants and business partners, along with information about our data processing systems; the purposes for which their data is used, and of their related rights. Where appropriate, onsite notifications have been installed, for instance where video security systems are in use. The Data Privacy Policy also forms a component of all offers to prospective tenants.

SUPPLIERS

To maintain our high standards of ethical behaviour, fair business practices and transparency, it is essential that we ensure that our partners in the supply chain fulfil these same expectations. As such, we carefully select business partners taking account of their corporate philosophy and values and their ESG commitments, and aim to develop long-term relationships with trusted business partners who have a proven track record of operating to the same high ethical standards as GCP itself.

We clearly communicate our expectations in invitations for bids, and an open dialogue about our commitment to sustainability plays an important role when beginning a relationship with a new supplier. All relationships with suppliers and business partners are founded on an explicit commitment to upholding the GCP Code of Conduct for Business Partners. The implementation of an IT solution to track and monitor the signing of these agreements is currently being analysed. The ESG standards stipulated within the Code are contractually binding, and GCP may terminate the relationship with immediate effect should any violations be identified. GCP also reserves the right to subsequently exclude the contractor concerned from the awarding of future contracts.

In general, supply chain risks are reduced by the fact that all suppliers contracted by GCP operate within central Europe. This means that, like GCP itself, they are subject to the EU's comprehensive legal framework. Where significant potential hazards are identified, such as in materials handling, suppliers are required to provide evidence of corresponding certifications and permits. In addition, we perform regular checks during site visits, e.g. when materials are delivered to sites.

GCP has implemented a Green Procurement Policy which defines the basis on which contracting decisions should be made and is communicated to all employees with purchasing responsibility. We educate our staff accordingly to enhance awareness of how purchasing decisions affect environmental impact and other sustainability issues in the supply chain. Suppliers are expected to mitigate negative environmental impacts wherever possible and orient their operations toward the ISO 14001 environmental management standard. Moreover, we work together with suppliers to assess various aspects of sustainability and discuss where improvements can be made.

HUMAN RIGHTS

GCP views upholding recognised standards of decent work and respect for human rights to be non-negotiable components of our business premise. As we operate mainly within central Europe, our operations are governed by the strict regulations and legal framework of the European Union. These laws provide extensive human rights protection at a local level, meaning concrete human rights violations are not a substantial risk in our operations.

A key element of GCP's asset repositioning strategy involves creating long-term value through the refurbishment of formerly mismanaged residential properties. The building work required by these activities is carried out by construction companies and their subcontractors. The main area for possible human rights violations lies with subcontractors, as these are not under direct oversight by GCP. There is also a risk of human rights violations occurring in relation to the migrant workers employed by large construction firms. As of the date of this report, no human rights violations had been identified in GCP's direct operations or in the supply chain.

We undertake to avoid all possibility of human rights violations in the supply chain. Human rights violations of any kind are not tolerated, and all suppliers must commit to providing decent standards of work. Child labour and forced labour are explicitly renounced. We equally expect all suppliers to foster workplaces free of discrimination and harassment. Effective controls of business partner selection have been implemented. All business partners, who are primarily local medium-sized enterprises, are required to sign GCP's Code of Conduct for Business Partners, which details a firm commitment to human rights. In the case of construction activities, each undertaking is managed by a dedicated GCP project manager, who deals directly with the on-site contractors. Regular project manager visits at all of our sites - during acceptance of partial deliveries of services or within the scope of inspections - evaluate contractors' compliance with the Code.

GCP also conducts spot checks of supplier compliance through our relevant operational departments. We aim to maintain our current standard of zero human rights violations occurring in our supply chain or otherwise connected to our business operations.



06

REPORTING PACK



KEY FIGURES

ENVIRONMENT

PORTFOLIO ENVIRONMENTAL PERFORMANCE MEASURES (ABSOLUTE & LIKE-FOR-LIKE)

KEY FIGURES	SCOPE	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	% CHANGE
Energy						
Electricity (indirect)	For landlord shared services			10,863,782.53	10,635,122.91	2%
	Total landlord-obtained electricity		Elec-Abs, Elec-LfL	10,863,782.53	10,635,122.91	2%
	% from renewable sources			73.75%	66.06%	8%
District heating & cooling (indirect)	For landlord shared services			132,416,404.00	134,847,960.00	-2%
	Total landlord-obtained heat	kWh	DH&C-Abs, DH&C-LfL	132,416,404.00	134,847,960.00	-2%
	% from renewable sources ⁹			14.50%	13.90%	4%
Fuels (direct)	For landlord shared services			113,740,106.04	105,456,512.20	8%
	Total landlord-obtained fuels		Fuels-Abs, Fuels-LfL	113,740,106.04	105,456,512.20	8%
	% from renewable sources			93.46%	52.32%	41%
Energy Intensity	Building energy intensity	kWh	Energy-Int	138.97	135.69	2.4%
GHG emissions						
Greenhouse gas emissions	Scope 1		GHG-Dir-Abs, GHG-Dir-LfL	3,656.84	10,129.05	-64%
	Scope 2 (location-based)	tonnes CO ₂ e	GHG-Indir-Abs, GHG-Indir-LfL	42,910.44	43,436.58	-1%
	Scope 2 (market-based)			38,608.21	39,797.51	-3%
	Total Scope 1 & 2 GHG emissions			46,567.28	53,565.63	-13%
Greenhouse gas emissions intensity	Scope 1 and 2 intensity from building energy	kg CO ₂ e/m ²	GHG-Int	25.18	28.96	-13%
Water						
Water	For landlord shared services	m ³	Water-Abs, Water-LfL	2,255,370.19	2,276,599.00	-1%
	Total landlord-obtained water			2,255,370.19	2,276,599.00	-1%
Water intensity	Building water intensity	m ³ /m ²	Water-Int	1.22	1.23	-0.9%
Waste						
Waste (Landlord-handled)	Waste by disposal route	litres	Waste-Abs, Waste LfL	187,367,997.71	187,310,797.71	0%
	% Recycled			40%	40%	0%
Green building certifications¹⁰						
Certified assets	Mandatory (EPC) energy certificates	% of portfolio certified by building	Cert-Tot	95%	95%	0%

⁹ Due to different energy mixes provided by local suppliers, the proportion of district heating from renewable sources is taken from the German environmental protection association.

¹⁰ 95% of the units in our portfolio had an energy performance certificate. The remaining 5% are not covered as being historic buildings energy performance certificates are not mandatory. The proportion of certificates by type is not applicable as different values are awarded depending on whether the energy performance certificate is based on actual energy performance or potential performance (due to building design and fabric).

ENVIRONMENT

OWN OFFICE ENVIRONMENTAL PERFORMANCE MEASURES (ABSOLUTE AND LIKE-FOR-LIKE)

KEY FIGURES	SCOPE	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	% CHANGE
Energy ¹¹						
Electricity (indirect)	Grand City Properties obtained	kWh	Elec-Abs, Elec-LfL	435,923.21	423,500.78	3%
Fuels (direct)	Grand City Properties obtained		Fuels-Abs, Fuels-LfL	1,004,842.73	1,011,423.95	-0.7%
Energy Intensity	Building energy intensity	kWh / m ² / year	Energy-Int	75.27	74.97	0.4%
GHG emissions						
Greenhouse gas emissions	Scope 1	tonnes CO ₂ e	GHG-Dir-Abs, GHG-Dir-LfL	9.47	190.00	-95%
	Scope 2 (location-based)		GHG-Indir-Abs, GHG-Indir-LfL	234.09	226.15	3.5%
	Scope 2 (market-based)	GHG-Int	75.98	74.26	2.3%	
Greenhouse gas emissions intensity	Scope 1 and 2 intensity from building energy	kg CO ₂ e/m ²	GHG-Int	12.72	21.74	-41.5%
Water						
Water	Grand City Properties obtained	Cubic meters (m ³)	Water-Abs, Water-LfL	7,922.44	8,194.02	-3.3%
Water intensity	Building water intensity	m ³ /m ² /year	Water-Int	0.41	0.43	-3.3%
Waste						
Waste (Landlord-handled)	Total waste	litres	Waste-Abs, Waste LfL	395,268.79	299,623.99	31.9%
	% Recycled				39.80	39.80
Green building certifications						
Certified assets	Mandatory (EPC) energy certificates	% of portfolio certified by building	Cert-Tot	100%	100%	0 %

¹¹ DH&C is not applicable as there is no consumption of district heating

KEY FIGURES

ENVIRONMENT

SUPPLEMENTARY PORTFOLIO ENVIRONMENTAL PERFORMANCE DATA

KEY FIGURES	UNIT	2019	2018	2017
Energy and climate				
Proportion of properties supplied with renewable electricity	%	73.75	66.06	60.67
CO ₂ emissions saved from switching to renewable electricity(tonnes)	tonnes	9,580.00	7,844.00	6,931.32
Proportion of GCP portfolio supplied by centralised gas-powered heating systems	%	46.00	46.00	40.00
Proportion of GCP portfolio supplied by centralised gas-powered heating systems using climate-neutral gas	%	93.46	52.32	60.67
CO ₂ emissions saved from switching to climate-neutral gas		18,401.00	15,740.00	15,347.20
Waste				
Proportion of properties supplied by waste management	%	30.00	30.00	27.00

TENANTS

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
Health and safety					
Proportion of assets undergoing health and safety assessments	%	H&S-Asset	100	100	100
Total number of incidents of non-compliance from health % safety assessments		H&S-Comp	0	0	0
Tenant satisfaction					
Tenant rating of Service Centre friendliness	out of 5		4.87	4.77	4.65
Tenant rating of Company friendliness	out of 5		4.83	4.77	4.69
Tenant rating of resolution time	out of 5		4.73	4.51	4.38
Tenant rating of service reachability	out of 5		4.76	4.74	4.67
Vacancy					
EPRA Vacancy Rate	%		6.7	7.1	7.0
Investments in tenant well-being ¹²					
Investment in apartment refurbishments	€m		24	n/a	n/a
Investment in outside spaces	€m		2	n/a	n/a
Investment in fire, life and safety	€m		2	n/a	n/a

¹² The categories for investments in tenant wellbeing have been established in 2019.

EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
Number of employees					
Total number of employees (permanent and temporary)			1033	979	872
Female			525	509	463
Male			508	470	409
Total number of permanent employees			633	548	427
Female			341	303	227
Male			292	245	200
Total number of temporary employees			400	431	445
Female			184	206	236
Male			216	225	209
Total number of full-time employees			927	884	795
Female			448	436	398
Male			479	448	397
Total number of part-time employees			106	95	77
Female			77	73	65
Male			29	22	12
Number of Apprentices			37	30	n/a
New employee hires and employee turnover					
Total number of new employee hires		Emp-Turnover	428	343	191
Female		Emp-Turnover	132	188	94
Male		Emp-Turnover	296	155	97
Age group <30			145	137	75
Age group 30-50			222	163	94
Age group >50			61	43	22
Hiring cost per new employee	€		651.37	n/a	n/a
Percentage of open positions filled by internal candidates	%		17.69	n/a	n/a
Rate of new employee hires					
Female	%	Emp-Turnover	31	55	49
Male	%	Emp-Turnover	69	45	51
All employees	%	Emp-Turnover	41	35	22
Employee turnover					
Total number of employee turnover			157	116	92
Female			79	64	46
Male			78	52	46
Age group < 30			50	37	27
Age group 30-50			84	68	48
Age group > 50			23	11	17

EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
Rate of Employee turnover¹²					
Female	%	Emp-Turnover	50	55	50
Male	%	Emp-Turnover	50	45	50
All employees	%	Emp-Turnover	15	12	11
Retention rate					
Female	%		79.4	78.0	83.5
Male	%		76.4	79.6	82.3
All employees	%		77.9	78.8	82.9
Parental leave					
Employees that were entitled to parental leave			1033	979	872
Female			525	509	463
Male			508	470	409
Employees that took parental leave			46	49	35
Female			42	38	31
Male			4	11	4
Employees that re-returned to work in the reporting period after parental leave ended			19	25	12
Female			16	18	8
Male			3	7	4
Return to work rate of employees that took parental leave	%		86	83	34
Female	%		89	82	25
Male	%		75	88	100
Employees that re-returned to work after parental leave ended that were still employed 12 months after their return to work			14	8	8
Female			10	5	5
Male			4	3	3
Retention rate of employees that took parental leave	%		56	67	89
Female	%		56	63	83
Male	%		57	75	100

¹² Defined as employee-initiated departures who do not return in the same year

EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
Average hours of training per year per employee					
Female	hours/year		7.9	11.18	6.3
Male	hours/year		4.29	9.5	6.75
Employees	hours/year	Emp-Training	4.99	8.46	4.81
Upcoming leaders	hours/year		107.5	144	112.66
Average Amount spent on training per Employee	€		119.15	n/a	n/a
Percentage of employees receiving regular performance and career development reviews					
Female	%		28	41	98
Male	%		17	33	98
All employees	%	Emp-Dev	22	37	98
Diversity of governance bodies					
Female	%	Diversity-Emp	33	33	33
Male	%	Diversity-Emp	67	67	67
Diversity of management					
Female	%	Diversity-Emp	41	39	40
Age group < 30	%		7	13	10
Age group 30–50	%		80	77	83
Age group > 50	%		13	10	7
Male	%	Diversity-Emp	59	61	60
Age group < 30	%		0	3	2
Age group 30–50	%		68	77	86
Age group > 50	%		32	20	11
Diversity of employees					
female	%	Diversity-Emp	51	52	53
Age group < 30	%		30	28	33
Age group 30–50	%		54	55	52
Age group > 50	%		17	17	15
Male	%	Diversity-Emp	49	48	47
Age group < 30	%		19	22	23
Age group 30–50	%		56	55	53
Age group > 50	%		25	23	23
Ratio of basic salary and remuneration of women to men ¹³					
Employees	ratio	Diversity-Pay	1.05:1	0.84:1	0.88:1
Management	ratio	Diversity-Pay	0.76:1	0.86:1	0.69:1

¹³ The gender pay gap at Board-level is not applicable as the Board includes two independent directors (one male and one female member), and only one full time employee (the CFO). Taking only the pay of the independent directors into account, the pay ratio is 1:1.

EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
Number of employees who completed the Leadership Program					
Female			8	6	n/a
Male			4	8	n/a
Health and safety					
Injury Rate		H&S-Emp	1.45	1.37	1.24
Lost day rate		H&S-Emp	0.004	0.01	0.01
Absentee rate		H&S-Emp	6.78	7.22	5.06
Fatalities (total number)		H&S-Emp	0	0	0
Number of trained First Aid Officers			82	62	71
Diversity					
The number of reported incidents of discrimination or harassment			0	0	n/a
Number of Nationalities (incl. German)			41	36	n/a
Other					
No. of employees with digital pay slip			79	n/a	n/a

SOCIETY

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
Operations with local community engagement, impact assessments, and development programs					
Neighbourhood activities		Comty-Eng	180	168	161
Community investment					
Investments through the GCP Community Foundation ¹⁴	€		100,000	n/a	n/a

¹⁴ The GCP Community Foundation was launched in 2019

GOVERNANCE

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
	Total number of Executive members	Gov-Board	1	1	1
	Total number of Independent members	Gov-Board	2	2	2
	Average tenure	Gov-Board	7.3	6.3	5.3
Governance	Total number with competencies relating to environmental and social topics	Gov-Board	2	2	2
	Nominating and selecting the highest governance body	Gov-Select	Please see the Corporate Governance section of our website: https://grandcityproperties.com/en/corporate-governance.html		
	Process for managing conflicts of interest	Gov-Col	Please see the Board of Directors' Report (page 34) of our Consolidated Financial Statements for the year ended December 31, 2019		

METHODOLOGICAL NOTES

Our environmental and social indicators are reported according to the methodology set out in the 3rd edition of the EPRA Sustainability Best Practice Recommendations (sBPR).

For data that falls outside the scope of EPRA, we use the Global Reporting Initiative's GRI Standards (2016) edition as the basis for collecting and reporting data. A cross-reference table with the relevant GRI Standards is provided on page 58 below.

REPORTING PERIOD

All data relates to our financial year which coincides with the calendar year, and consequently runs from January 1 to December 31 of the year under review.

Following substantial growth in number of units included in our environmental reporting (from 26,017 units in 2017 to 31,150 in 2019) we have decided to report absolute and like-for-like utilities consumption for two reporting periods to allow meaningful comparison. Social indicators relating to tenants, employees and communities covers three reporting periods.

ORGANISATIONAL BOUNDARIES AND SCOPE OF DATA

Environmental performance data is only reported on assets for which we have operational control. Unless otherwise stated, all utilities consumption relates to consumption that we purchase and/or control as the landlord, and relates to energy and water consumption used in common areas and shared services. Tenant obtained data (i.e. from bills which the tenant receives directly) is excluded.

Data relating to our employees covers all direct employees employed by Grand City Properties, including part time and temporary workers as well as inactive employees. Accordingly, it excludes contractors and those not directly employed by us.

COVERAGE

Absolute and like-for-like environmental data relates to 31,150 units that we are able to collect data for, out of a total portfolio of 77,000 units. Coverage for all performance measures is 100% of these units.

Coverage for our own office utilities consumption is based on the proportion of the total rental floor area occupied by Grand City Properties as we do not occupy the whole building. The data relates to consumption at our Düsseldorf and Berlin Top Tegel headquarters.

ESTIMATION OF LANDLORD-OBTAINED UTILITY CONSUMPTION

Due to the timing of the publication of this report, the following estimations were applied when calculating our performance data for the 2019 calendar year:

- Electricity: 83% of consumption is based on bills received, with the remaining 17% either extrapolated from incomplete bills for 2019 (2%), or estimated based on 2018 consumption (15%)
- Heating: 64.5% of consumption is based on bills received, with the remaining 35.5% either extrapolated from incomplete bills for 2019 (2.5%), or estimated based on 2018 consumption (33%)
- Water: 3% of consumption is based on bills received, with the remaining 97% either extrapolated from incomplete bills for 2019 (2%), or estimated based on 2018 consumption (95%)

Estimations were carried out only where:

1. Utility bills for the reporting year were not available in time for publication. In these instances, estimations were calculated based on the previous year's confirmed consumption during the same period. Extrapolations are based on the average of monthly demand available from bills in 2019, and then multiplied by 12 months.
2. Data is only available for a proportion of units under our management control, for example regarding recycled waste. In this instance we have extrapolated data for the units where we are able to collect complete data given the similarities between our units and tenants.

The total volume of waste is partially estimated based on the total volume of non-recyclable waste data obtained from 95% of applicable bills (with the remaining 5% estimated due to invoices from waste suppliers not being available at the time of reporting). 60% of waste data for 2019 was estimated based on 2018 waste volumes, with the remaining 40% based on bills. The total proportion of recycled waste is based on household averages published by the German environmental protection authority which represents the highest authority in the country.

Estimations of utility data for Grand City Properties' own office consumption is estimated based on the whole building data for the buildings occupied by Grand City Properties. GCP's proportion has been calculated based on the floor area occupied by GCP (19,140.72 m²).

UNITS OF MEASUREMENT AND NORMALISATION

Utilities data are reported based on absolute consumption measured in kWh (energy), tCO₂e (GHG emissions), m³ (water) and litres (waste).

GHG emissions are reported using location-based conversion factors published by the German Environmental Protection Association. Market-based emissions are calculated using emissions factors published by our energy suppliers.

Where consumption is normalised, we calculate intensity indicators using floor area (1,849,409 m²) for whole buildings, including tenant areas. We are aware there is a mismatch between the nominator and denominator in our methodology for calculating intensities, as we receive utility bills for electricity consumed only in common areas, but

we receive utility bills for district heating and cooling and fuel consumed both in the common and tenant areas (it is not possible to separate these consumptions).

Employee coverage rates are expressed as a percentage of Grand City Properties' total direct employees at year end.

Health and safety performance measures are calculated using the following formulae:

- Injury rate = Number of reportable injuries/Number of Full Time Employees (FTEs)
- Lost Day Rate = Number of days lost due to workplace injuries/Number of working hours
- Absentee rate = Number of days absent due to illness/Total number of working days

SEGMENTAL ANALYSIS (BY PROPERTY TYPE, GEOGRAPHY)

Segmental analysis is organised by the property classification used in our financial reporting (see our Annual Report, p. 14) which defines our investment portfolio as residential properties comprising 77,000 units. Additional segmental analysis by geography is not relevant for our portfolio as the assets included in our reporting scope are all located within Germany, and therefore in the same climatic zone.

NARRATIVE ON PERFORMANCE

Explanation and analysis of our performance in relation to each sBPR is available in the relevant sections of this report. Please see our Consolidated Financial Statements for the Year Ended December 31, 2019 for further information on our Board composition and selection process.

ASSURANCE

A third-party assurance of the environmental data has been carried out by GUT Zertifizierungsgesellschaft für Managementsysteme mbH according to Assurance Standard AA1000, limited assurance.



Certificate over an independent third party validation of the environmental data by Grand City Properties S.A. (GCP)

In accordance with our mandate, the GUTcert GmbH (GUTcert) accomplished an independent third party validation to obtain a limited assurance (within the meaning of Assurance Standard AA1000) of the measurement methods used for consumption data and environmental indicators regarding the sustainability report 2019 of Grand City Properties for the financial years of 01.01.2018 to 31.12.2019.

Organisational boundaries – Coverage

As of 31 December 2019 the portfolio of GCP includes 76.646 residential (and commercial) units with 4.869.000 square meters. For the Sustainability Report GCP collect data of 1.849.408 square meters in 31.151 units. The boundaries cover 37 percent of GCP whole portfolio (without nursing homes). Within these boundaries for the rented areas as well as the Headquarter the following environmental indicators of the GRI Sustainability Standard are reported.

Environmental indicators – GRI

302-1 Electricity, Heating & Cooling, Fuel Consumption (landlord shared services, total landlord-obtained)

305-1 Direct GHG emissions (Scope 1)

305-2 Indirect GHG emissions (Scope 2)

303-1 Water Consumption (landlord shared services, total landlord-obtained)

306-2 Waste by disposal route

Methodology

The validation by GUTcert was carried out in the following steps:

- 1) Inspection and explanation of the procedure to collect and process the data
- 2) Providing a review in a random sample survey of individual statements and inspections:
 - ▶ In bills, as well as analysis of data sets, generated by internal and external data systems
 - ▶ The summary table including all the relevant consumption data regarding the properties
 - ▶ A final table of all the collected consumption data (indicator sets)
- 3) Analysis of outcomes with GCP responsible persons, to close open questions and to propose recommendations.

Responsibility of auditors

Our task is, based on the activities carried out, to make a statement if circumstances accrued, leading to the assumption that the environmental indicators described in the sustainability report, regarding the financial years 2018/2019, do not correspond in material respects with the sustainability reporting standard GRI SRS.



Verdict

GUTcert verified consumption data of GCP for performed environmental indicators and methodology of data collection and their treatment. The data set was ordered in a coherent and comprehensive way based on contractors' bills as far as possible. If bills are not available, the figures are based on an extrapolation of actual data from the previous period. As a result of our validation process, about the figures from a random sample survey, we confirm the correctness of the calculated values with an inaccuracy of 5%. The examination and comparison of data do not put in evidence of any incorrect situation in the measurement methods.

On the basis of our assessment to obtain a limited level of security, we have not been aware of any issues that may lead us to believe that the sustainability report of Grand City Properties is not materially in accordance with GRI standards.

Supplementary information – Recommendations

Without limiting the results mentioned above, we would like to make the following recommendations for the further development of data management and reporting:

- ▶ The data collection should be based on a software tool, adding the consumption data by hand is error-prone.
- ▶ The lived procedure for data collection and analysis should be completely written and implemented as a controlled process.

Independence of Assurance

GUTcert is a certification body and has a number of accreditations through DAkkS e.g. ISO 9001, ISO 14001, BS OHSAS 18001, ISO 50001, ISO 14064 and is an approved body for validation of emission reports in the European Emissions Trading as well.

Berlin, 08th April 2020

GUT Zertifizierungsgesellschaft für
Managementsysteme mbH
Umweltgutachter

Yulia Felker

Elisabeth Gebhard

MEMBERSHIPS



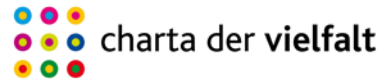
GCP is an active member of ZIA, sitting on its CSR and Diversity Committee. The German Property Federation (ZIA) pursues the objective of representing the general, economic, and ideological interests of the entire German property sector and promoting collaboration among its members. It supports and accompanies measures suitable for sustaining and improving the economic, legal, political, and fiscal framework conditions of the property sector in Germany.



GCP is a member of EPRA. EPRA's mission is to promote, develop, and represent the European public real estate sector. EPRA achieves this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices and the cohesion and strengthening of the industry.



GCP is a member of DGNB. The German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB e.V.) sees itself as a non-profit association with a goal of supporting sustainable construction and sustainable operation of the buildings around us. The DGNB is not driven primarily by economic goals, instead its aims are of a social nature. The organization is funded and supported by its members and it interprets sustainability as an extension of their definition of democracy and part of an obligation to future generations.



GCP is a signatory of the Diversity Charter. The Diversity Charter is a self-commitment published in Germany in 2006 and an association under the auspices of the Federal Chancellor, who is committed to an unprejudiced working environment. It aims to promote the recognition, appreciation, and integration of diversity into Germany's business culture. Organizations are to create a working environment free of prejudice. All employees should be valued – regardless of gender, nationality, ethnic origin, religion or worldview, disability, age, sexual orientation, or identity.

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